AFRICA RECOVERY

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Millennium Summit of the United Nations

Reform plans dominate Security Council debate on peacekeeping in Africa

South African President Thabo Mbeki and Mrs. Zanele Mbeki welcome Rwanda President Paul Kagame (right) during a brief moment of relaxation at the Millennium Summit.

By ***Michael Fleshman***

With criticism of its competence mounting as rapidly as its troop commitments in Africa, Asia and Eastern Europe, the Security Council held a rare summit meeting on 7 September to consider proposals to overhaul the UN peacekeeping machinery. The failures of the past decade, a grim Secretary-General Kofi Annan said, have created "a crisis of credibility facing this Council — and this organization — in discharging its gravest responsibility: the maintenance of peace and security." Restoring that credibility, African leaders asserted, will require faster deployments, stronger mandates and a more representative Security Council. Disagreement over "sovereignty" and "humanitarian intervention," however, suggest that peacekeeping reform, like peacekeeping itself, will be complex and difficult.

The meeting, attended by nine presidents, five prime ministers and one foreign minister, was held during the 6-8 September Millennium Summit in the UN General Assembly (see page 6). It marked the beginning of a watershed debate on recommendations developed by a panel of experts chaired by former Algerian Prime Minister Lakhtar Brahimi (see page 8) for far-reaching changes in the planning and implementation of UN peacekeeping missions, particularly in Africa. Controversy immediately broke out over proposals to give peacekeeping troops more authority to intervene in internal conflicts. The measures, which would alter fundamental tenets of peacekeeping — strict non-interference in the internal affairs of states, absolute impartiality, and intervention only with the consent of all parties — were interpreted by many developing countries as a means of establishing a long-opposed international "right of humanitarian intervention" in the internal affairs of sovereign states.

African governments generally supported the Brahimi panel's call for greater flexibility in the use of force on the ground by peacekeeping troops, but insisted that decisions on the deployment of such forces be consistent with respect for the national sovereignty of the host country. Togolese President Gnassingbé Eyadema, who is also the current president of the Organization of African Unity, told the General Assembly on 12 September, "We support the valid recommendations" of the Brahimi report that "mandates should be clear, credible and attainable ... missions properly financed and rapidly deployed ... and [peacekeepers] capable of accomplishing their mandates and defending themselves." But compared to other regions, he noted, "the attention that our continent receives from the international community is rather weak."

The recommendations, 56 in all, would greatly enhance the military capabilities of UN peacekeeping operations — allowing faster deployment of well-armed and trained troops, better support by the Department for Peacekeeping Operations for personnel in the field and greater integration of peacekeeping, peacebuilding, human rights and humanitarian programmes. Deficiencies in these areas, analysts believe, have contributed to the failure of some peacekeeping operations in recent years.

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Debt relief conditions eased in Prague

But changes to HIPC fall far short of African and protesters' demands

Thousands marched in Prague to support the Jubilee 2000 campaign for immediate debt cancellation.

By **Gumisai Mutume**
Prague

In a far cry from the demands for rapid and major debt relief raised by protesters outside, a meeting of the boards of governors of the World Bank and International Monetary Fund (IMF) pledged that by the end of the year they would double to 20 the number of countries qualifying for debt reduction — 16 of them African. They agreed, at their annual joint meeting in the Czech capital 19-28 September, to slightly modify the rigourous conditions required for relief under the enhanced Heavily Indebted Poor Countries (HIPC) initiative.

Instead of having to develop elaborate Poverty Reduction Strategy Papers (PRSPs) before actually receiving debt reduction, a country now may start getting relief earlier, Mr. Axel van Trotsenburg, manager of the World Bank's HIPC Implementation Unit, told *Africa Recovery*: "What we would like to see is that while countries continue to work on their poverty strategy, they show us intermediate steps they are taking, related to poverty reduction," he said. "These may include a viable AIDS plan or an active primary education policy, where we can see results in a relatively short time."

Anti-debt campaigners were not impressed with this modification. "We are very disappointed," said Ms. Lucy Mathews of Jubilee 2000, an international non-governmental coalition campaigning for debt relief. "Yet another opportunity has been missed and we now have to wait for the Bank and IMF spring meetings next year for another opportunity to make the leap forward."

Many of the thousands of demonstrators and members of non-governmental organizations (NGOs) that converged on Prague criticized — as part of their broader critique of globalization's effects — the decline in official development assistance to poor countries and urged industrialized nations to increase economic aid.

"There were high expectations," World Bank President James Wolfensohn acknowledged at the end of the meeting. Nevertheless, he added, some progress was made "to advance the implementation of the second round programme of the enhanced HIPC facilities" (see page 5). He noted that recently a number of bilateral creditors have agreed to 100 per cent debt relief for HIPC qualifying countries. Together with relief due to countries on debt owed to multilateral institutions, this would bring relief to "around 67 per cent of their total debt, which is a very significant step forward," he maintained.

Jubilee 2000 has been calling for a 100 per cent reduction, citing a pledge last year by the Group of Seven (G7) industrialized countries — Canada, France, Germany, Italy, Japan, UK and US — to eventually forgive all debts owed to them by qualifying HIPC countries. In Prague, the anti-debt coalition expected the G7 finance ministers to follow up by pressing the two Washington institutions to authorize a comparable 100 per cent write-off (currently under HIPC, the Bank will cancel only about 32 per cent and the IMF 37 per cent). Such pressure could have been highly effective, since the G7 countries control 45 per cent and 44 per cent of the votes on the boards of the IMF and World Bank, respectively. In contrast, 41 heavily indebted nations control just 3 per cent of the votes on both boards.

"Nobody lives on a diet of inflation rates ... or establishing a balanced budget. People live on concrete results."

Tertius Zongo, Finance Minister Burkina Faso

Conditions remain

The emphasis in Prague was on streamlining the conditions that qualifying HIPC countries must meet to receive relief. According to Mr. van Trotsenburg, the Bank and IMF are working with governments to prepare "decision-point" documents so that these countries "focus on a couple of key actions, as opposed to an enormous number of conditions" they have been obliged to meet up until now.

Significantly, however, the meeting retained the stipulation that countries must be implementing Bank- and Fund-supported structural adjustment programmes before they can even be considered for qualification for debt relief, although in a communique the two institutions conceded that these should be "interpreted flexibly on a case-by-case basis." Critics have long argued that such programmes lead to higher unemployment, greater insecurity, environmental damage, reduced government services and social spending, and further redistribution of wealth from the poor to the rich.

Anti-debt activists therefore have been critical of HIPC's linkage to structural adjustment, which they say undermines the intended poverty-alleviation effect of debt cancellation. Similarly, Jubilee 2000 objects to the more recent requirement that a qualifying country

must prepare a rigourous poverty reduction strategy paper before it can begin receiving relief under the enhanced HIPC, since this still entails implementing adjustment programmes and gives the Bretton Woods institutions enormous influence over a nation's policies. The anti-debt coalition also says it wants another 11 countries added to the current list of eligible HIPCs, including Equatorial Guinea, Morocco, Nigeria and Zimbabwe.

Africa's sceptical welcome

Some African countries have appreciated the new emphasis on speeding up HIPC debt relief. Burkina Faso, which this year began receiving some $400 mn in debt reduction under the original HIPC terms, is eligible for another $300 mn under the enhanced HIPC, so would welcome steps to move things along more quickly.

Burkinabé Finance Minister Tertius Zongo appreciates the stress on poverty reduction. "The way debt is being dealt with has brought the [Washington] institutions to deal more with the whole issue of poverty than in the past," he says. "We kept talking about economic stability and macroeconomic indicators, but nobody lives on a diet of inflation rates or bringing down the unemployment rate or establishing a balanced budget. People live on concrete results."

Others worry about the potential pitfalls in the entire, complicated process. "Getting to the decision point does not guarantee that you will reach the completion point," an African finance minister told *Africa Recovery*. "Many African nations do not have the resources or the money to prepare the elaborate PRSPs required at completion. This is where many will falter."

Canada's moratorium proposal

Like most of his industrialized country colleagues, Canadian Finance Minister Paul Martin did not call for dropping adherence to structural adjustment as a condition for HIPC relief, although he did suggest narrowing the requirements to "a truly limited number of monitorable conditions in the social, structural and macroeconomic areas."

He also went beyond the other G7 representatives by calling on industrialized countries to immediately grant a moratorium on interest payments by HIPC countries. If countries demonstrate a continued commitment to the HIPC process and the principles of good governance, and are not involved in conflicts, they should be able to immediately stop making interest payments. Outright debt cancellation would still wait until completion of the HIPC process.

In reaction to Mr. Martin's announcement, the Canadian Ecumenical Jubilee Initiative, an anti-debt coalition of 30 churches and religious organizations, challenged the Canadian government to set an example for other rich nations by immediately implementing the proposal. Of 17 countries heavily indebted to Canada, all but three conflict-ridden countries — the Democratic Republic of Congo, Liberia and Sudan — could potentially benefit from such a step.

"Other creditor countries and international financial institutions must do the same," the church coalition added. "Their intransigence on continued debt service and onerous conditionality is a scandalous abdication of responsibility for a crisis that they have been largely responsible for creating."

Mr. Martin's proposal appears to have caught other creditor country representatives by surprise. The UK reacted cautiously, saying it needed time to study the idea.

Global demands for an effective strategy against poverty were raised by protesters at recent IMF and World Bank meetings in Prague.

The US government also gave a lukewarm response. "While I share the desire to have eligible countries qualify for debt relief as rapidly as possible, the desire for speed cannot supersede the need to ensure lasting development results," declared US Treasury Secretary Lawrence Summers.

The US Congress is still debating how much to contribute to the HIPC Trust Fund, but the amount is expected to fall short of the $435 mn requested by the administration. Created to help the Bank and IMF finance their part of the debt relief programme, the Trust Fund so far has received pledges and contributions of about $2.6 bn. IMF Managing Director Horst Köhler warned in Prague that lack of funds may threaten the delivery of relief to qualifying nations.

The demonstrations in Prague, some of which turned violent, were just the latest indication of mounting public opposition to the policies of the two international financial institutions. At their meetings in Washington in April, an estimated 20,000 protesters also turned out.

"If the World Bank and IMF had been open, accountable and focused on the poorest people in the world for the last 50 years, no one would have been in the streets at the Prague meetings," said Mr. Phil Twyford, global advocacy director of Oxfam International. "If they had been part of a coordinated attack on poverty and helped put every child in school by this year as promised, citizen campaigners would stay home and send thank-you letters." ■

HIPC: donors extend deadline ...

In addition to other changes in HIPC, creditors will hold the initiative's doors open for new entrants until 2002, instead of closing them at the end of this year, as originally projected. So far, 34 countries have met the basic entry requirements of having some form of IMF- or World Bank-supported reform programme in place, leaving 7 of the original 41 potentially eligible countries outside the process. These are Angola — which is not expected to qualify for HIPC assistance because its debt will likely be deemed "sustainable" after traditional bilateral and

HIPC architects seek 'flexibility'

World Bank, IMF want to reach 20-country target by end of year

By **Christina Katsouris**

The changes announced in late September in Prague to the Heavily Indebted Poor Countries (HIPC) initiative, while falling short of debt lobbyists' recent calls for deeper debt reduction, nevertheless should enhance prospects for getting relief approved for 20 countries by the end of 2000.

World Bank President James Wolfensohn says he is "fairly confident" the target can be met, and that average relief will be 65 per cent of these countries' total debts. Officials set the target last year when they reformed the first, 1996, HIPC initiative. Now however, they are finding that even this new "enhanced HIPC" is delivering relief at a slower pace than many had hoped.

The original initiative identified 41 countries, mostly in Africa, as possible candidates. Yet, as of early October, only 10 countries had passed the so-called decision point — at which debt relief is approved and partial relief on debt service is given. Of these, only Uganda has passed the completion point, when a country gets all its eligible debt stocks reduced.

Compressed track record

The enhanced HIPC included a more flexible approach to the condition which normally required governments to establish a three-year track record of economic reform before the decision point. It became more accommodating towards countries with interrupted track records, provided governments demonstrated strong commitment to reforms, particularly in areas of governance and accountability.

In addition, the International Monetary Fund (IMF) and World Bank began discussing a possible "sharp compression" of the track record in their latest *HIPC Review of Implementation*, published in early September.

The two institutions also appear set to streamline conditions further. "Broadly, we want to focus on development and poverty reduction policies, and clear away extraneous conditions," one Bank official told *Africa Recovery*.

For the Bank, this means focusing on basic poverty-reduction priorities, including spending on primary education and health and greater citizens' access to such services, sources say. For the IMF, it implies a stronger focus on macroeconomic and structural reforms under its Poverty Reduction and Growth Facility — the lending programme that replaced its enhanced structural adjustment facility — and less importance on minor privatizations and other peripheral issues.

Officials were reluctant to comment more specifically, saying that priorities would differ by country. "The idea is to work with the government to identify what is truly important, and to speed up the process," the Bank source added.

'Policy slippage'?

Such reticence reflects fears that greater leniency could encourage "policy slippage" among reformers and provide ammunition for legislators opposed to funding debt relief in countries such as the US. "There is an enormous fear that if this process does not go right, we'll be hard pressed to get future funding for debt relief or needed levels of aid," a Washington source says.

Yet without more flexibility, fewer of the countries coming up for review will qualify. Those approaching the decision point have more patchy track records than countries which already have qualified. The new group includes Guinea, which has fallen short on some reforms; Rwanda, which has recently been involved in conflict with neighbouring Democratic Republic of Congo; and Guinea-Bissau, where progress has been delayed by domestic conflict. Cameroon, Chad, Gambia, Guyana, Malawi, Nicaragua and Zambia also are coming up.

Greater flexibility also should facilitate quicker debt relief to countries emerging from more protracted conflicts. Officials now have slated Ethiopia, which has just ended a war with Eritrea, as a possible candidate for next year. Back in 1996, Ethiopia was viewed as an early qualifier, until conflict blew its economic policies off course.

Interim anti-poverty plans

The Bank already has shown flexibility on the other key decision-point condition, the interim Poverty Reduction Strategy Paper (PRSP). In principle, Bank guidelines, set out in the *Review of Implementation*, now say a government should indicate its overall strategic goals and programmes to reduce poverty and "define an action plan that would eventually lead to the articulation and adoption of a PRSP in a participatory process." In practice, some interim PRSPs are "only broad statements of intent," according to a recent IMF report to its Executive Board.

Over the past year, the Bank and IMF have shifted more of the burden of PRSP preparation to the second part of the HIPC process — the interim period between the decision point and completion. The shift has been welcomed by some debt lobbyists, who say that it gives governments more time to consult civil society and anti-poverty groups, hopefully yielding better PRSPs with a greater sense of national ownership. However, they add, more debt relief should be given during the interim period. Others complain the process is still burdened with excessive conditions, leading to unjustified delays in final debt reduction.

The *Review of Implementation* notes that countries already past the decision point should take an average of 15 months to reach completion. While the earliest of these cases are expected to average less than a year, more recent qualifiers, such as Tanzania and Mauritania, may average up to two and a half years. ■

... and daily on additional funding

commercial relief is given — Sudan, Democratic Republic of Congo, Somalia, Liberia, Burundi and Myanmar.

The latest tally of HIPC's total costs has been put at $28.6 bn, with relief for the first 20 countries projected to cost around $18.3 bn. "I think the immediate needs — subject to the passage by the US Congress of the US contribution — are probably met," World Bank President Wolfensohn said in September. Yet raising the funds, even for the first group, is not going smoothly. There have been delays in securing commitments from some non-Paris Club bilateral creditors — which were expected to contribute 25 per cent of the $18.3 bn — as well as from commercial creditors (3 per cent). Moreover, some of the poorer bilateral creditors are themselves candidates for HIPC relief. Creditor officials propose to deal with the problems on a case-by-case basis and pledge to work "flexibly and creatively towards solutions."

— Christina Katsouris

The Millennium Summit of the UN ...what they said

African leaders urge stronger UN

Speakers at Millennium Summit hit inequities of globalization

Globalization, peacekeeping reform and the role of the UN in international affairs dominated the debate among world leaders at the Millennium Summit in New York on 6-8 September. Many leaders from Africa and other developing regions decried the growing economic and technological gap between North and South and called on industrialized countries to accelerate debt relief, open their markets to developing countries' exports and greatly increase foreign direct investment and official development assistance. Others called for a global mobilization of resources to combat HIV/AIDS, particularly in Africa.

Over three days of speeches, roundtables and private discussions, this largest gathering of world leaders in history — 100 heads of state, 47 heads of government and 44 foreign ministers and other senior government representatives — considered the state of humanity at the end of the millennium. Their deliberations will help define the human agenda into the next. Excerpts follow.

President Ismael Omar Guelleh, Djibouti

The economic brush fire that is sweeping our planet is called globalization. It favours the deregulation of markets, free trade and privatization. But in a number of world regions, in particular Africa, many poor developing countries find themselves trapped in a spiral of impoverishment and social disintegration....

The Secretary-General has thrown us an immense challenge: to reduce by 2015 the number of inhabitants of the planet living in extreme poverty by half, representing close to 1 billion people. This must occur, everyone agrees, within the context of a sacrosanct market economy that is sweeping the globe. But the system of free trade is cruel and merciless. The multilateral institutions therefore must maintain order and ensure the application of international norms so that transparency and democratic equity reign. If not, we risk succumbing to market tyranny and international chaos.

Prime Minister Pakalitha Bethuel Mosisili, Lesotho

The attainment of democracy in sub-Saharan Africa must be accompanied by corresponding economic gains and reduction of poverty. Yet the majority of us who have embraced democracy are yet to reap the fruits of this change.... We are unable to meet the challenges of globalization and to take advantage of the opportunities it offers for development and the relief of poverty. We are similarly unable to take full advantage of the opportunities presented by advances in information and communication technology.... The defining challenge of the 21st century is how to close the present gap in development between the developed and the developing nations.

Prime Minister Tony Blair, UK

There is a dismal record of failure in Africa on the part of the developed world that shocks and shames our civilization. Twenty-one of the 44 countries in sub-Saharan Africa are affected by conflict, which undermines efforts at development. Even worse, ten times as many people died of AIDS in Africa last year as were killed in all the continent's wars combined. Nowhere are more people dying needlessly from starvation, from disease, from conflict. Nowhere are more children being denied the opportunities that will transform the lives of their contemporaries elsewhere in the world.

We should use this unique summit for a concrete purpose: to start the process of agreeing a way forward for Africa. We need a new partnership for Africa, in which Africans lead but the rest of the world is committed, where all the problems are dealt with not separately but together in a coherent and unified plan. Britain stands ready to play our part with the rest of the world and the leaders of Africa.

President Olusegun Obasanjo, Nigeria

The new millennium is being shaped by forces of globalization that are turning our world into a village. Thus, the new millennium will demand of us, more than ever before, to live and work together as members of one human family. But up to now, globalization has meant prosperity only for the chosen few of the industrialized countries. For us in the developing world, globalization will continue to ring hollow and [be] of dubious value until we see its positive effects on our fortunes. In short, globalization has to be seen to mean the eradication of poverty. And then, and only then, will the true spirit of good neighbourliness reign in the new global village.

President Festus Mogae, Botswana

I stand before you to claim the dubious distinction of being leader of a country most seriously affected by HIV/AIDS in the whole world. The fight against HIV/AIDS is therefore for us the challenge of the millennium. In the last twenty-five years we attained human development indices that were the envy of many, practiced multi-party democracy, maintained an open society and ran an open economy. Now we daily witness elderly mothers mourning the untimely deaths of their beloved children, babies born today only to be buried the next. Our life expectancy is calculated to have been reduced from sixty-seven to forty-seven years.

As developing countries, we cannot deal on our own with education and sensitization, testing and counselling, adolescent reproductive health, prevention of mother-to-child transmissions, acquisition of retroviral drugs and medication and care for the affected population.

The HIV/AIDS pandemic is a global problem, which calls for concerted action on the part of the international community as a whole. One more day of delayed action is a day too late for thousands of our people. Our people are crying out for help. Let us respond while there is still time.

President Abdoulaye Wade, Senegal

The drama of the debt is not that it has still not been either repaid or cancelled, but that it is a recurrent malady that will keep

UN Millennium Declaration

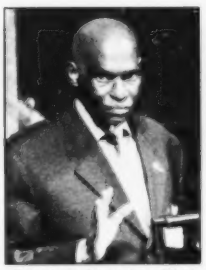
A declaration adopted by world leaders at the close of the Millennium Summit noted the particular needs confronting Africa at the start of the 21st century. It pledged that the international community would provide "full support" to emerging African democracies, strengthen Africa's capacity to respond to the HIV/AIDS pandemic, and take "special measures" to address poverty, including debt cancellation, improved market access and increased flows of official development assistance and foreign direct investment. It also outlined a series of specific international development goals, including:

- Halve by 2015 the proportion of people living on less than $1 per day, the proportion of people without clean water and the proportion of people living in hunger
- Reduce by 2015 infant mortality rates by 67 per cent and maternal mortality rates by 75 per cent, and reverse the spread of HIV/AIDS, malaria and other major diseases.
- Provide by 2015 primary education to every boy and girl.
- Achieve a "significant improvement" in the lives of 100 million slum dwellers by 2020.
- Provide duty- and quota-free market access by developed countries for "essentially all" exports from least developed countries, implement debt relief and increase official development assistance for countries committed to poverty alleviation.
- Reduce emissions of "greenhouse" gases through concerted efforts to implement the Kyoto Protocol by 2002.
- Press for implementation of the protocols on biological diversity and desertification, particularly in Africa.
- Halt the unsustainable exploitation of water resources and improve cooperation in cases of natural or human-made disasters.
- Combat all forms of violence against women and implement the Convention on the Elimination of All Forms of Discrimination Against Women.
- Increase popular participation in governance and ensure press freedom.
- Strengthen protection of vulnerable populations in emergencies and increase assistance to refugees and internally displaced persons.
- Encourage ratification of the international Convention on the Rights of the Child and related protocols.

Secretary-General Kofi Annan

President Joaquim Chissano

President Festus Mogae



President Abdoulaye Wade

President Jerry Rawlings

on coming back if its fundamental causes are not eliminated....

At its July summit meeting in Lome, the OAU [Organization of African Unity] decided to go beyond the goal of simply ending Africa's indebtedness, to also try to understand how we became indebted. That way we can effectively attack the causes of this pernicious and impoverishing form of dependence. Even though everyone talks about the debt, its rescheduling and cancellation, none of our countries knows, as a good accountant should know, how we became indebted. We also don't know why the more we pay back and the more the creditors write off, the more we actually become indebted....

The world must stop being a world where paternalist creditors meet timid and sickly debtors who dare to ask only for leniency, moratoriums and cancellation.

President Abdelaziz Bouteflika, Algeria

The idea of democracy is making its way in the world and is beginning to infuse the political life of our countries.... But in contrast, international life is distancing itself ever more from democratic practices, concentrating decision-making powers in the hands of the super-powers or at best those of the developed countries....

Globalization certainly is bringing the peoples of the world closer together, but it excludes the notion of solidarity, tending to replace it with a more rigid and Spartan concept of competitiveness.... The UN remains for us the one organization capable of listening to our fears and trying to find adequate responses.

President Jerry Rawlings, Ghana

In today's globalized world, we must not only ensure social justice internally, we must also incorporate it in our global interactions.... The absence of strong and resilient institutions in regions like Africa has encouraged corruption from within and without.... Africa, in particular, has suffered especially severe damage as seemingly the most corrupt continent in the world.

Admittedly, Africa may have had some notably corrupt leaders and governments ... Let us ask ourselves: where do the proceeds of this corruption end up? In the vaults of the financial and banking institutions of the Western world. For every dollar of corrupt money that is kept in Western banks, one African child dies, two African children starve and three African children suffer from disease and ignorance. There will be less corruption in Africa if there is no place to hide the proceeds of corruption or if the proceeds of corruption, once uncovered, are returned to their real owners, the people of Africa.

Deputy Prime Minister Eriya Kategaya, Uganda

Globalization presents many opportunities, but has always presented unfair terms of trade. In our view, globalization has always existed. The era of the slave trade where human beings were exchanged for trinkets and whisky was a form of globalization, but an unfair one. It was an exchange of value for no value. What therefore is needed, is fair terms of trade.

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Peacekeeping reforms debated at Security Council summit

from page 1

held up adoption of a Security Council resolution on the report. Council members were able to agree only to "consider the recommendations expeditiously." In the meantime Mr. Annan and the Council have already begun to implement other aspects of the report. In mid-September, the Council delayed at Mr. Annan's request a resolution authorizing an increase of peacekeeping troops in Sierra Leone until commitments of the necessary personnel and equipment were obtained from member states. The move is in line with the Brahimi proposals. Deputy Secretary-General Louise Frechette has been asked to develop an implementation programme for consideration by the General Assembly in the coming months.

Sovereignty or intervention?

Strengthening the UN's peacekeeping mechanism has become more urgent as the number of operations has soared. Forty of the 53 peacekeeping missions undertaken by the UN since 1948 have begun in the last 12 years, and major new deployments in Africa are expected before the end of the year. Many missions have been deployed in civil conflicts, which are often more difficult to resolve than conflicts between states.

Nowhere is the need for change in UN peacekeeping operations more apparent than in Africa, where one in five Africans live in countries disrupted by war and the UN has authorized deployment of over 25,000 peacekeeping troops. In a number of African missions, UN forces face a complex array of local armed groups with unclear objectives and shifting alliances.

> **"No legal principle — not even sovereignty — can ever shield crimes against humanity."**
>
> **— Kofi Annan, UN Secretary-General**

As a result, said UK Prime Minister Tony Blair in his address to the Council meeting, "peacekeeping is a lot tougher and more difficult than before. We are putting our people into situations of far greater difficulty ... where the hazards from local militias or other people are far greater than before." Mr. Blair's dispatch of a battalion of British troops to Sierra Leone after rebel forces seized 500 UN peacekeepers in May is widely credited with stabilizing a deteriorating security situation. He told the Council that despite the increased political and military risks, "the need for peacekeeping has never been greater. The Brahimi reforms are absolutely essential."

African support for stronger UN forces with a more robust mandate has grown in recent years, fueled by outrage at the failure of the international community to prevent genocide in Rwanda in 1994, and widespread consternation over the collapse of peace agreements in Angola and Sierra Leone and the crisis in the Democratic Republic of Congo. But the question of how and when to intervene in sovereign states has been a controversial one.

In his report to the Millennium Assembly on the future of the UN, Mr. Annan acknowledged the complexity of the issue but argued that circumstances sometimes demand external intervention. "Surely no legal principle — not even sovereignty — can ever shield crimes against humanity. Where such crimes occur and peaceful attempts to halt them have been exhausted, the Security Council has a moral duty to act on behalf of the international community."

Canadian Prime Minister Jean Chrétien agreed. "In the 21st century, peace no longer depends only on securing states but also on securing people," he told the Council. "In recent years the security of a given state, in the name of ethnic nationalism, has been used as a justification for the worst kind of atrocities." Canada believed human rights and humanitarian

Brahimi panel proposals for peacekeeping reform

The "Report of the Panel on United Nations Peace Operations" is the first comprehensive review of UN peacekeeping operations in the organization's history. Drafted by a panel of experts headed by former Algerian Foreign Minister Lakhtar Brahimi and released on 21 August, it recommends specific improvements in the way the UN Secretariat, Security Council and participating member states conceive and implement peace and security activities. Such reforms are necessary, the panel argues, because peacekeeping missions are increasingly responding to "complex" conflicts within states rather than "traditional" conflicts between states. Key recommendations include:

Conflict prevention and early warning

- Development and international financial institutions should view their activities through "conflict prevention lenses" to better address the economic and social causes of conflict.
- The Secretary-General should make earlier and more frequent use of special representatives and fact-finding missions.
- An information and strategic analysis centre should be established within the UN to provide decision-makers with early warnings and political, military and economic analyses of crisis situations.

Peacekeeping doctrine

- Consent of local parties, impartiality and use of force only in self-defence should remain core principles. Where one or more local parties is an "obvious aggressor," however, peacekeeping troops must not "cede the initiative to their attacker.... Impartiality must mean adherence to the principles of the UN Charter, not equal treatment of all parties at all times." Where local actors' intentions are suspect, peacekeeping missions must be larger and better equipped to act as credible deterrents with "robust" rules of engagement.

Mandates and resolutions

- The Security Council must ensure that peace agreements are workable and consistent with minimum human rights, peacebuilding and development criteria before authorizing deployment.
- Mandates and resolutions must be unambiguous and based on realistic assessments of mission requirements — even at the cost of consensus within the Council. "The Secretariat must tell the Council what it needs to know, not what it wants to hear."
- Final decisions on a mission's mandate and deployment should await commitments from member states to provide the required number and calibre of troops and

principles should be a factor in Security Council decisions, he noted. "If the Security Council is unable to adapt, it will seriously undermine its credibility as a guarantor of peace, credibility that is essential to maintaining the moral authority of the UN as a whole."

Chinese President Ziang Zemin differed. "The success of UN peacekeeping operations," he asserted, "depends on observance of the purposes and principles of the UN charter, particularly the principles of respect for state sovereignty, non-interference in the internal affairs of the recipient countries, seeking prior consent of the parties concerned, neutrality, and non-use of force except in self-defence.... Willful use of force and interference in the internal affairs of other countries in the name of 'humanitarianism' not only run counter to the purposes and principles of the UN charter but also will cause severe negative consequences."

Opposition to an expanded UN role in internal conflicts also came from Russian President Vladimir Putin, who said that under no circumstances should the Council weaken principles that "have passed more than one test for durability." He called for the abandonment of "unilateral approaches" to global conflict situations. Africa's multiplying conflicts, he said, posed a major threat to its future. "If in the 20th century Africa became free from colonialism, then let the 21st century see it rid of poverty and military confrontation." This could best be achieved through greater support for African peacemaking efforts and scrupulous adherence to the UN charter. The Brahimi report, he said, was a "useful" but not definitive effort to improve the effectiveness of peacekeeping operations.

In Sierra Leone, a pro-government militiaman on duty with Jordanian peacekeepers. Internal conflicts pose difficult challenges for UN peace operations.

In their opposition to the creation of a broad right of intervention on humanitarian and human rights grounds, African and other developing countries have cited possible opportunities for infringements on sovereignty and possible pretexts for interference by former colonial powers or neighbouring states. The heads of state and government of the 133-member Group of 77 specifically rejected the concept at the South Summit in Havana in April.

'A kind of apartheid'

Namibian President Sam Nujoma, representing one of only two sub-Saharan African governments currently in the Security Council, also called for strict respect of sovereignty, and chided the Council for doing too little too late in addressing conflicts in Africa. The Council "should ensure equal importance to, and undertake swift response to, breaches of interna-

equipment. Missions should not go forward unless these conditions are met.

Personnel and deployment

- The UN should be able to deploy substantial peacekeeping missions within 30 days for "traditional" operations and within 90 days for "complex" operations.
- Toward this end, countries contributing troops through the UN Standby Arrangement System should designate brigade-sized forces for peacekeeping duties and train with other states contributing troops on an ongoing basis. The Secretariat should refuse to accept forces not meeting minimum requirements.
- The UN must maintain enough supplies to begin five missions. The Secretary-General should be authorized to draw up to $50 mn from the Peace Reserve Fund in advance of a final Security Council resolution if a mission appears likely to be approved.

Peacebuilding

In complex missions, the panel asserts, "peacekeepers work to maintain a secure local environment while peacebuilders work to make that environment self-sustaining."

- A small percentage of a mission's first year budget should be used for high-visibility, high-impact development projects.
- Disarmament, demobilization and reintegration programmes for former combatants should be funded by assessed mission budgets in the first phase of operations.
- Greater priority should be given to programmes to re-establish law and order and restore civil authority. An interim international criminal code should be developed for use in situations where local courts have collapsed.
- Information strategy and technology should be enhanced, including communications between missions and headquarters and information programmes for the public.

Expanding headquarters support

- Staffing of the Department of Peacekeeping Operations, with 32 military personnel providing planning and guidance to 27,000 troops, is inadequate and should be expanded, with funding from the UN regular budget instead of from ad hoc peacekeeping assessments.
- Interagency Integrated Mission Task Forces should be created as the "first point of contact" for mission planning, with staff formally seconded by the agencies and serving as their prime contacts in all matters related to that peace operation.
- The panel endorses efforts by the Department of Political Affairs to create a peacebuilding support unit and urges that funding for it and the Electoral Assistance Division be expanded and supported through the UN regular budget.

tional peace and security in all regions of the world and not treat Africa only as an afterthought." The Council must be enlarged, democratized and made more transparent, he concluded, if it is to successfully meet its peacekeeping obligations. South African President Thabo Mbeki was even blunter, telling reporters on the final day of the summit that the council's hesitancy in responding to African conflicts was "a kind of apartheid" and calling for the issue to be taken up with the Brahimi proposals (see box page 11).

Expansion of the Security Council to achieve greater geographic representation, an issue outside the scope of the Brahimi report, nevertheless emerged as a sub-theme of the peacekeeping reform debate at the Millennium Summit. Angolan Foreign Minister João Bernardo de Miranda spoke for numerous African leaders when he underscored Angola's "strong support" for Africa's demand for two permanent and five non-permanent seats on an expanded Security Council (Africa currently has three non-permanent seats). Addressing the Millennium Summit on 8 September, Mr. de Miranda, whose country has endured almost four decades of anti-colonial and civil war, described democratization of the Council as "especially important" for the future of the UN.

Addressing root causes

Greater international financial, political and military support for African peacemaking and peacekeeping efforts was strongly endorsed in the Security Council debate. Bangladesh Prime Minister Sheikh Hasina, the only woman among the 15 Council representatives, joined the refrain for stronger UN partnerships with regional and sub-regional organizations, both governmental and non-governmental. But, she cautioned, "the Security Council cannot shy away from its primary responsibility" for the maintenance of peace in Africa by declaring its support of "African solutions to African problems," a point also made by Ghanaian President Jerry Rawlings, Mr. Mbeki and other African heads of state.

Ms. Hasina called on the Security Council to address the root causes of African conflicts as well as their military and security aspects. "This summit should express strong support for poverty eradication, sustainable development, democracy, good governance, rule of law and human rights as foundations of durable peace." During World War I, she observed, 95 per cent of the casualties were soldiers. In today's wars, 95 per cent of the casualties are civilians. "If the nature of conflict has changed, so too has its victims."

The Security Council "should ensure equal treatment to ... all regions of the world and not treat Africa only as an afterthought."

Sam Nujoma
President, Namibia

"In renewing our commitment to peace and security we need to provide the United Nations with the means to ensure peace."

Alpha Oumar Konaré
President, Mali

Contributing to conflict in Africa, Malian President Alpha Oumar Konaré told the Council, is the easy availability of arms. "For Africa, weapons of mass destruction are light arms.... They are sold for cash, sold on credit against our raw materials, even offered for free." Mr. Konaré, who chaired the Security Council meeting, called for international measures to curb the supply of small arms to conflict zones and for greater cooperation between the UN and regional organizations in resolving conflicts. "In renewing our commitment to peace and security, we need to provide the United Nations with the means to ensure peace."

Rwandan President Paul Kagame was not in the Security Council that day. But in his address to the Millennium Summit he described the refusal of the international community to intervene to save the 800,000 victims of genocide in Rwanda "as one of the darkest hours in the over 50-year history of the United Nations." Many reasons have been put forward for past failures, he noted. "I want to add one more. Each conflict is unique in its history and in its sociology. Nothing short of objective understanding of each conflict and its nature will contribute to its management and eventual resolution."

Peacekeeping reforms will come too late for Rwanda, but there is still time to aid the survivors, he said. Unfortunately "international

Right to intervene or responsibility to protect?

Proposals for reforming UN peacekeeping have rekindled an old debate over whether the international community should intervene in countries' domestic affairs to save lives or protect human rights. Developing countries generally oppose "humanitarian intervention," fearing that it could be used as a pretext for aggression, while some industrialized countries favour intervention to counter "crimes against humanity."

In an effort to help reconcile these views, Canadian Foreign Minister Lloyd Axworthy announced on 14 September the creation of an International Commission on Intervention and State Sovereignty. The panel, chaired by former Australian Prime Minister Gareth Evans and Mr. Mohamad Sahnoun, special envoy of the UN Secretary-General in Africa, will open a global dialogue on the issues and develop recommendations for Secretary-General Kofi Annan. The project, Mr. Axworthy said, is modeled after the Brundtland commission on environment and development, which took two seemingly irreconcilable issues and forged a consensus around the concept of sustainable development. Mr. Evans said he preferred to think that the challenge now is to seek agreement on a new international "responsibility to protect" vulnerable people.

"The moral, legal, operational and political problems are indeed complex," said Mr. Sahnoun, who has been involved in several UN mediation and peacekeeping efforts in Africa. "I look forward to working with the other members of the Commission to try to bring a greater effectiveness to these types of operations, which have tended to be carried out on an ad-hoc basis."

Over the next year, the panel will solicit a wide range of views, and has scheduled consultations in North America, Southern Africa, Latin America, East Asia and Europe with academics, government officials and non-governmental organizations. It will produce a three-volume report with findings and recommendations and a compilation of past research and debate. The commission's activities can be followed on its Web site: <www.iciss.gc.ca>.

agencies react to humanitarian crises but are wholly inadequate in assisting affected countries in the aftermath of conflicts. Equally difficult challenges lie in the post-crisis phase, particularly economic and social reconstruction to permit sustainable development and prevent further cycles of violence."

The root causes of African conflicts also dominated US President Bill Clinton's address at the Security Council. He urged the Council to take up issues like HIV/AIDS as part of a wider definition of threats to security, arguing, "War kills massively, crosses borders, destabilizes whole regions. Today we face other problems that kill massively, cross borders and destabilize regions. Until we confront the iron link between deprivation, disease and war, we will never be able to create the peace that the founders of the United Nations dreamed of.... We must do more to equip the United Nations to do what we ask it to do."

Financing reform

The US and other wealthy member states will indeed be asked to do more as the final shape — and price tag — of peacekeeping reform emerges in the months ahead. With press estimates running as high as $100 mn annually just for the expanded headquarters staff, additional training and equipment envisaged in the Brahimi report, the debate over financing may be as lively as the debate over the reforms themselves.

The report calls for core peacekeeping functions, such as the expanded headquarters support unit, to be funded from the regular budget. The report is silent, however, on whether the budget should be increased to finance the reforms, or funded by cuts in other programmes. Mr. Brahimi argued for an increase at a 23 August press conference. Asked by a reporter about funding for the recommendations, he suggested an end to the era of no-growth UN budgets. "No organization's budget stays frozen forever," he noted.

US Ambassador Richard Holbrooke, however, told reporters later that day that "some of this [peacekeeping reform] will cost money and we are going to look for savings elsewhere in the [UN] system." As of 15 August, total US arrears to the UN stood at $1.87 bn, including almost $1.4 bn for peacekeeping. ■

Africa a 'special challenge' — Thabo Mbeki

Africa is a "special challenge" requiring "special interventions" by the international community, South African President Thabo Mbeki told a news conference in New York on the final day of the Millennium Summit. In particular, among the problems identified by participants at the Millennium Summit, he said, were poverty and underdevelopment. "The summit has brought very much to the fore the need to restructure the UN and other international organizations to respond to those sorts of challenges, to find a way by which the poor get heard."

"There is a strong sentiment even among the developed countries to respond to these various challenges," he acknowledged. "I believe that the leadership at the United Nations is going to have to play an even more critical role in building from this broad consensus [and] bring in institutions like the World Bank, the IMF, WTO, etc." The UN Secretary-General's report to the Millennium Assembly, Mr. Mbeki added, "laid a very strong base" for confronting poverty.

In response to a question from *Africa Recovery* about the proposed peacekeeping reforms, the South African president said, "We are still looking at the Brahimi report. It was important that the initiative was taken and it contains some very important issues. Matters of humanitarian intervention still require some discussion because clearly you can't have people intervene in any country on the excuse that there are humanitarian concerns. There must be a response to those humanitarian concerns, but it's the manner in which you respond and how you arrive at the decision. It has to be handled in a way that respects sovereignty."

Nevertheless, he went on, South Africa welcomes the Brahimi report as a step forward. "As Africans, we've been very unhappy about the response of the UN to challenges of peace and security on the African continent. It has seemed to us that there has been a kind of apartheid approach to this." Too often in the past, he asserted, the attitude of the Council has been that "if problems occur in Africa, we'll let the Africans solve them. It's defined as African solutions [to African problems]. But in many instances it is used to avoid the sort of engagement which is required of the Security Council with regard to international peace and security. Hopefully this matter also will be addressed as people address the Brahimi proposals."

African leaders urge stronger United Nations

from page 7

Foreign Minister Jakaya M. Kikwete, Tanzania

There is need for the United Nations to be more involved in matters relating to social and economic development. Perhaps nowhere is the problem more compelling than in Africa where there are 33 of the 48 poorest countries in the world. It is no accident that the overreaching development objective of Africa remains the eradication of poverty, ignorance and disease.

The United Nations has always been a good advocate of the poor and the weak in their search for meaningful development. We recall the numerous initiatives made by the United Nations from the 1970s to create a new international economic order and make the international community respond to the plight of the poor. Expectations that globalization and liberalization would lead to increased growth and development have yet to produce tangible results for developing countries. We look to the UN to be in the forefront in ensuring that economic issues are put at the centre of its activities.

President Joaquim Chissano, Mozambique

Debt cancellation per se cannot guarantee the eradication of poverty. It needs to be supplemented by better access to world markets, provision of adequate development assistance, and by foreign direct investments. We believe that preferential treatment for developing countries' products needs to be enhanced in order to ensure income generation, creation of employment and improvement of social conditions of the population....

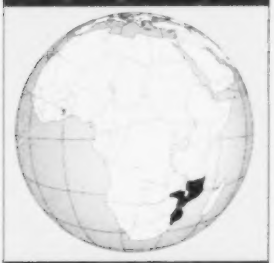
The United Nations remains the only global institution with the legitimacy and scope that derive from its universal character and a mandate that encompasses development, security, human rights and the environment. It is, therefore, our belief that, in the context of globalization, the United Nations can play a vital role in the search for an effective integration of developing countries in the global economy, in such a way that these countries can derive concrete benefits from global growth and development. ■

Mozambique: growth with poverty

A difficult transition from prolonged war to peace and development

Since peace came in 1992, the image of Mozambique has been transformed from that of an economic basket case to an African "success story." Despite severe flood damage this year, the economy has grown dramatically, achieving some of the highest growth rates in the continent. But poverty remains widespread and the country is still heavily dependent on donor aid — and subject to the onerous conditions attached to such assistance.

Country in focus



Mozambique

By **Paul Fauvet**
Maputo

The most prominent image of Mozambique in early 2000 was that of helicopters lifting stranded people from tree tops, as raging flood waters swirled beneath them. This tended to reinforce a stereotype of Mozambique as a land of perpetual misery.

Once it was a country struck by cyclical droughts and an apparently never-ending war. It often was called "the poorest country in the world." Yet the war did end (in 1992), political stability was sealed with multi-party elections (in 1994), and Mozambicans were able to start rebuilding, albeit under severe constraints. By the late 1990s, the economy had made remarkable progress, with double-digit growth rates. All this makes this year's floods a tragic setback. However, as the government points out, the greater part of the country was not flooded. It hopes that economic growth will continue to outstrip population growth, although it has revised downward its growth projections for this year several times, and now expects less than 4 per cent growth.

AIM, Rafiq Mamadi

Voting in Beira in 1999 elections: The winning Frelimo party promised "equitable distribution" of Mozambique's wealth.

Nevertheless, economic growth is not a panacea. Large increases in gross domestic product (GDP) coexist with grinding poverty for the bulk of the population. Achieving a formula for growth that also ensures poverty alleviation is now more critical than ever, since the heavy rains have thrust around 120,000 peasant families in the southern and central provinces into utter destitution.

"If there is growth currently in Mozambique," asked the UN Development Programme's 1998 *National Human Development Report on Mozambique*, "what is growing and for whom? The growth of absolute poverty for the great majority, or the growth of ostentatious incomes for a small minority? The growth of social and civil security, or the growth of crime? Economic growth that promotes the human development of Mozambicans, or growth that is exported to soften the country's indebtedness? The growth of democracy and participation, or the growth of political apathy and abstention? The equitable growth of human development, or the inhuman deepening of inequalities between the sexes, and between social, ethnic and racial groups?"* The flood crisis makes such questions more relevant than ever.

From war to peace

Whatever the difficulties of Mozambique's economic liberalization, nearly a decade of peace made it possible at least to begin the arduous tasks of reconstruction. After independence in 1975, initial progress in overcoming the Portuguese colonial legacy was reversed by the war waged by the rebel Mozambique National Resistance (Renamo), with direct backing from the apartheid regime in neighbouring South Africa.

From the early 1980s, Mozambique was plunged into economic crisis. Production plummeted, half the rural primary schools were burned down or forced to close, the health network shrank by more than a third and the country began to default on debt repayments. By the time President Joaquim Chissano and Renamo leader Afonso Dhlakama signed a peace agreement in 1992, much of the country's physical infrastructure — roads, bridges, railways, sugar mills, rural shops and much else — lay in ruins. Annual per capita GDP had fallen from $133 in 1981 to $90 in 1993.

This was a poor base for the government to build on in the post-war era. The ruling Frelimo Party won the first multi-party elections in October 1994, partly on the basis of a manifesto which stated its basic aim as solving the problems of the poor. It promised to reduce social inequalities and regional imbalances and promote "gradual and equitable distribution of the nation's wealth." Frelimo replayed these themes when it was re-elected in December 1999.

** Written mostly by Mozambican economists and academics, working under the UNDP aegis.*

Mozambique at a glance

Population, 1999		19.3 million
Population growth rate, 1995-2000		2.5%
GNP per capita, 1998		$210
GDP, 1998		$3.96 bn
of which:	agriculture	34%
	industry	18%
	services	48%
Prawns share of export earnings, 1997		39%
Cashews share of export earnings, 1997		13%
Metical exchange rate, 1999		MT12,446 = $1
Total foreign debt, 1998		$8.2 bn
Debt service/export rate, 1998		7.1%
Foreign aid as % of GNP, 1997		37.4%
Labour force, annual growth, 1990-98		2.8%
Life expectancy at birth, 1998		44 years
Infant mortality (per 1,000 live births), 1998		129
Access to safe water, 1990-98		34%
Literacy (age 15+), 1997		40.5%

Sources: World Bank, UNICEF, UNDP, UNFPA, Economist Intelligence Unit.

Macro-economic growth

The government's key development goals remain poverty reduction, improvements in education and health, and providing more jobs. According to Prime Minister Pascoal Mocumbi, the country needs at least 6-7 per cent annual GDP growth (and preferably 10 per cent or more) "if we are to emerge from the current situation." A second target has been bringing inflation under control. It hit 71 per cent in 1994 and aggravated poverty by eroding purchasing power. Mr. Mocumbi has warned that since the government no longer will impose price controls, "inflation can only be brought under control through restrictive monetary and fiscal measures."

Since the mid-1990s, the targets of high growth rates, low inflation and currency stability have all been met, and the government has won praise from its international partners for its tight control over public finance. The GDP growth rate peaked at 11.3 percent in 1997 and averaged nearly 10 per cent in 1996-99. This is one of the highest rates in the world, although from an admittedly low starting point.

The most spectacular gains have been in industry. After a deep crisis in the 1980s and early 1990s, manufacturing output grew by almost 50 per cent in 1997, and a further 16 per cent in 1998. The mining industry (mainly marble, bauxite and graphite) grew by around 30 per cent in 1997 and 1998, due in part to the lowering of mining taxes, which attracted more foreign mining companies. However, Mozambique remains highly vulnerable to the vagaries of the world market — a collapse in world graphite prices in 1999 meant that exports no longer covered production costs, so work at the graphite mine in Ancuabe has been suspended.

By 1997, the inflation rate had declined to 5.5 per cent, from 54 per cent in 1995. In 1998, for the first time, average prices actually fell and the inflation rate for the year was minus 1.3 per cent, before rising again to a modest 4.8 per cent in 1999. Significantly, these price falls were concentrated in foodstuffs, on which poor

Floods take a serious economic toll

The Mozambican government's confidence that economic growth rates of 10 per cent or more could be sustained for the foreseeable future suffered a rude blow when floods swept through much of the south and centre of the country in February. Every major valley south of Beira was affected, as rivers burst their banks. When a cyclone then hit central Mozambique at the end of the month, it worsened an already massive natural disaster.

At the traditional May Day parade in Maputo, Prime Minister Mocumbi gave preliminary estimates that about 700 people had died and another 100 were missing. Almost 2 million people (some 12 per cent of the total population) were seriously affected, with half needing food aid. Almost 250,000 people lost their homes. And with 140,000 hectares of cultivated and grazing land lost to the floods — about 11 per cent of total cultivated area in the five provinces affected — over 113,000 small farm households had lost their livelihoods. Furthermore, some 20,000 head of cattle were missing and feared drowned, and many more could die of disease.

On the positive side, over 45,000 people were rescued from trees, from the tops of buildings, and from isolated areas surrounded by flood waters. Initially, this was carried out from a few Mozambican naval vessels and fewer than a dozen helicopters provided by South Africa, Malawi and the Mozambican air force. Only some three weeks after the catastrophe began did significant amounts of rescue equipment and aerial support arrive from Europe and North America.

The worst agricultural losses were to irrigation, with the government estimating that some 90 per cent of the country's functioning irrigation infrastructure was damaged. Industry too suffered as torrential rains caused severe damage in Matola, the industrial city on the outskirts of Maputo, leading to shutdowns or sharply reduced production in some of Mozambique's most successful factories. Virtually all production in the flooded cities of Xai-Xai and Chokwe in the Limpopo Valley came to a halt, largely because the electricity installations in these towns were under water. Over a thousand shops and wholesalers in the river basins, and even in low-lying areas of Maputo itself, were damaged.

Many secondary and tertiary roads were washed away, as were many bridges. All the railways in southern Mozambique were badly affected, particularly the Limpopo line from Maputo to Zimbabwe. The floods also closed 630 schools, attended by 214,000 pupils, and 42 health units were destroyed or damaged, including Beira Central Hospital, the second largest in the country.

When a donor conference was held in Rome in early May to fund post-flood reconstruction, the government, backed by the UN, requested nearly $450 mn. Donors met that target, but, as President Joaquim Chissano noted at the UN's Millennium Assembly in early September, "the slow process of disbursement" has brought delays in the relief aid's actual delivery, with only about $250 mn actually confirmed.

Faced with the devastation, the government has cut back its target for economic growth in 2000 from 10 per cent to below 4 per cent.

Mozambicans spend the bulk of their income.

Low inflation went hand-in-hand with currency stability. In 1992 the Bank of Mozambique stopped fixing the exchange rate of the country's currency — the metical — and let it float according to supply and demand. The metical's depreciation against the US dollar became no more than a gentle slide, making it one of the most stable currencies in Southern Africa. This was achieved thanks in part to tight credit ceilings and control over the money supply, although this has posed difficulties for Mozambican businesses. The government has vowed that it will not resort to printing more money to pay its bills.

By 1998, primary schools had recovered from the war, but classes remain overcrowded and one-fifth of 6-year-olds are not able to enroll.

Poverty in the countryside ...

Despite this macro-economic "success story," 69 per cent of Mozambicans still live below the poverty line (see table, page 19). As Prime Minister Mocumbi told donors in 1998, poverty "is an atrocious reality, particularly in the countryside where 80 per cent of the population lives." This rural poverty is intimately linked with rudimentary agricultural techniques. Only 7 per cent of farmers use traction (animal or mechanical) and only 2 per cent use fertilizers or pesticides. The dominant image of Mozambican agriculture remains that of a farmer (usually a woman, and often with a baby on her back) turning the soil over with nothing but a hoe.

Peace and adequate — if sometimes excessive — rains have contributed to an agricultural recovery, despite some flood losses. The 1980s spectre of famine has vanished. There is no longer a chronic food deficit and Mozambique even made modest exports of maize (mostly to Malawi) in 1997 and 1998.

Increased grain harvests are not due to higher productivity, however, but simply to an increase in the area under cultivation. Most peasant families have been unable to build up a reserve of food or money that would see them through a bad harvest. A disaster such as this year's floods plunges the affected areas into an immediate crisis and sends the government appealing once again for international food aid.

Fragile marketing networks and the poor state of access roads add to the precariousness of small-scale farming. The state marketing body, the Mozambique Cereals Institute (ICM), is in theory the "buyer of last resort." It pays decent prices for any crops that farmers have been unable to sell, either because private buyers offer prices that are too low or because their trucks simply do not go to remote areas. In practice, however, the ICM has never secured enough credit from the banks to fulfil this role.

If nobody comes to buy their crops, farmers in border areas just walk over the frontier and sell them in Tanzania or Malawi. The

Mozambique's economic indicators

	1985	1992	1993	1994	1995	1996	1997	1998
GDP at current market prices (MT bn)	192	4,757	7,829	13,415	21,267	32,093	36,693	46,137
Real GDP growth (%)	1.0	-8.1	8.7	7.5	4.3	7.1	11.3	12.0
Merchandise exports ($ mn)	77	139	132	150	169	226	230	248
Merchandise imports ($ mn)	381	770	859	917	705	704	684	782
Current account balance ($ bn)	-301.1	-352.3	-446.3	-467.2	-444.7	-420.5	-295.6	-476.6
Total external debt ($ bn)	2.87	5.13	5.21	7.27	7.46	7.57	7.64	8.21
Debt service/export ratio (%)	34.5	22.9	32.9	31.2	34.5	26.0	18.6	18.0
Food production per capita (1989-91=100)	93.4	81.3	97.2	90.9	108.9	122.7	129.5	140.4
Foreign reserves (months export coverage)	1	2	2	1	2	3	5	5
Inflation rate (%)	n.a.	45.5	42.2	63.2	54.4	45.0	5.5	-1.3*
Exchange rate (meticais per dollar)	43	2,517	3,874	6,039	9,024	11,294	11,544	11,875

Source: World Bank, World Development Indicators 2000, CD-ROM. ** Economist Intelligence Unit.*

government takes a relaxed view of this. "It's better for peasants to have money in their pockets than maize rotting in their barns," was Mr. Mocumbi's reaction to suggestions by some Mozambicans that the government should intervene to halt this cross-border trade.

... and in the cities

In the towns, most of the social and economic safety nets that existed under the previous centrally-planned economy have been withdrawn. There is no longer a basic ration of subsidized food for all and health services are no longer essentially free. The statutory minimum wage for industrial and office workers is now the equivalent of $30 a month. In the private sector, wages above the minimum are no longer set by government fiat, but are subject to collective bargaining. Where companies are doing exceptionally well, workers can earn much more than the minimum wage. But in many companies, even the minimum is not paid, or else workers are paid weeks or months late. In some cases, employers swindle their workers by docking social security contributions from their wages, and then failing to hand the money over to the national social security agency.

The trade unions complain that workers alone are bearing the costs of the structural adjustment programmes under way since 1987. The Mozambican Workers' Organization (OTM), the main union federation, argues that more than 100,000 jobs have been lost over the past decade because of structural adjustment policies. The unions calculate that in order to meet the basic needs of an average family of five, a worker needs a monthly wage of 900,000 meticais ($76). But in the March-April 1999 round of negotiations between the government, the employers and the unions, the employers were not even prepared to consider a minimum wage of 500,000 meticais a month. Their offer was just 402,000 meticais. Eventually the government intervened to insist on 450,000 meticais, a figure which satisfied neither side. A year later, despite the unions' demands for annual wage rises, there had been no further increase. Unsurprisingly, the low wages and high unemployment have fueled an expansion of the informal sector.

Social spending rises

According to former Finance Minister Tomás Salomão, a rural Mozambican must walk an average of 46 kilometres to reach the nearest doctor, 66 kilometres to the nearest secondary school, and 48 kilometres to the nearest telephone. Faced with this situation, the government insists that building up "human capital" is key to breaking out of poverty, requiring substantial investments in education and health.

The cashew industry's sad saga of liberalization

AIM / Farhat Mamadi

Mocaju cashew factory in Maputo, now closed. Trade liberalization has ruined the domestic processing industry.

At independence in 1975 Mozambique was the world's leading cashew producer, and processed cashew kernels were the country's most important export. But by the end of the war in 1992, production had tumbled, the national cashew orchard had a high proportion of old or diseased trees, and state-owned processing plants badly needed new investment. So the state cashew company was broken up and sold off in 1994-95. Mozambican companies bought the processing plants on the assumption that the industry would continue to enjoy government protection from foreign competition.

But in late 1995, as a condition for over $400 mn in loans, the World Bank demanded the liberalization of the raw cashew trade. This meant reducing the export surtax on raw nuts, even though all those involved — the industry, the traders in raw nuts, and the government — had agreed on a 26 per cent surtax, designed to encourage domestic processing. Under World Bank pressure, the surtax came down to 20 and then to 14 per cent, a level which the cashew industry described as "ruinous," making it impossible to compete with traders selling raw nuts to India.

By late 1998, the industry was fighting for its life. Ten of the 15 sizeable processing factories had closed, with over 5,000 workers laid off. The reason for the crisis was summarized by Mr. Kekobad Patel, chairman of the Cashew Industry Association. "There is currently a processing potential for 50-60,000 tonnes of nuts," he said, "but only 40,000 tonnes are being marketed and half of those are exported."

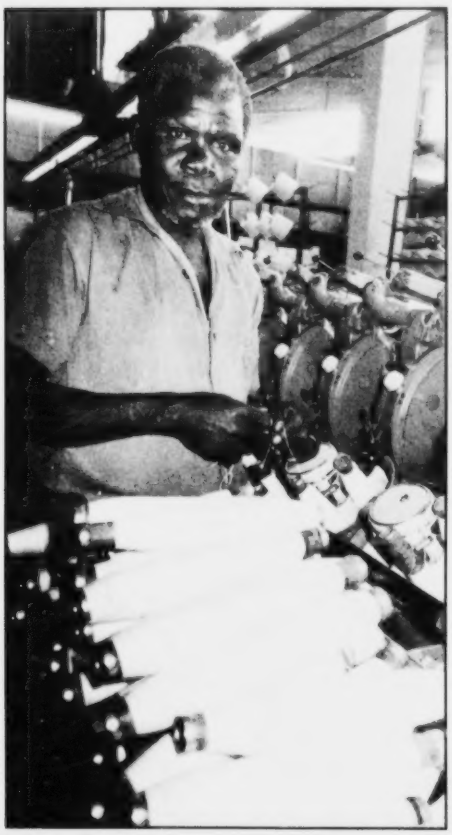
The World Bank argued repeatedly that liberalization would improve the prices paid to farmers for their nuts. However, an independent study by the international consultancy firm Deloitte and Touche, commissioned by the Ministry of Industry, Trade and Tourism and funded by the World Bank, found that the benefits of liberalization mainly went to the traders, not the farmers. It rejected as inaccurate World Bank claims that the industry was so inefficient that Mozambique would earn more money by exporting raw nuts rather than processed kernels. On the contrary, the Deloitte study found that, on average, Mozambique would gain an extra $150 per tonne by exporting processed nuts.

Parliamentary members of the ruling Frelimo Party reacted to the World Bank pressure by calling for a total ban on the export of raw nuts for the next 10 years, a proposal backed by the remnants of the processing industry. In September 1999, parliament passed a compromise bill raising the surtax to 18-22 per cent, with the exact level to be determined each year, based on prevailing conditions. World Bank officials were reported to have tacitly agreed to the compromise.

Until 1994, defense spending was easily the largest single item of recurrent expenditure in the annual budget. But after the 1994 elections, resources were shifted, and each year saw a real increase in allocations to the social sectors. In the 1998 and 1999 budgets, the education and health ministries benefited from significant increases in both capital and recurrent allocations, while funds for the military and the intelligence service were cut. The trend continued in the 2000 budget, with rises in recurrent expenditure of 21 per cent for education, and no less than 80 per cent for health. Despite the February flooding, the government is confident that it can raise the tax revenue to fund these increases.

By the end of 1998, the primary school network had recovered from the damage inflicted during the war. The number of first-level primary schools (first to fifth years) equalled and then surpassed the number that had been operating in 1983. There were 6,600 such schools by April 1999, attended by 2.1 million children.

However, according to the education ministry's planning directorate, 32 per cent of primary schoolchildren attend schools that are so crowded that classes have to be given in three shifts a day. Even so, many children still cannot get a place in school. Currently, only 81 per cent of all 6-year-olds enter the first year of primary school, though this is much better than the 59 per cent figure in 1992.


AIM / Antonio Muchave

Textile factory in Chimoio. The wages of industrial workers remain too low to meet their families' needs.

The education pyramid narrows dramatically after the fifth year. There are only 440 second-level primary schools (sixth and seventh years), and just 81 secondary schools in the entire country. Most children cannot go to secondary school, since there are simply not enough places. There were fewer than 64,000 children receiving basic secondary education (levels eight to ten) in early 1999, and only 8,500 in pre-university schools. There are about 7,000 students enrolled in Mozambique's six university-level institutions (three public and three private), and 15,000 in various vocational colleges.

The school system also is characterized by high dropout and failure rates, particularly among girls. The quality of education is poor, in part because teachers remain poorly paid, despite the budget increases.

Modern health services reach only about 40 per cent of the population. For key public vaccination campaigns, mobile brigades are sent into remote areas, with great success. Indeed, the second dose of the 1998 vaccination against polio reached 111 per cent of the national target, partly, explained Health Minister Aurelio Zilhao, because many mothers from neighbouring countries brought their children into Mozambique to be vaccinated. Mozambique is now likely to qualify for World Health Organization certification as a polio-free country.

But the shortage of clean drinking water, poor or non-existent sanitation in peri-urban areas, and inadequate refuse collection facilitate the spread of epidemics. Cholera raged in much of the country from 1997 to 1999. Over 2,000 people died in the outbreak, although the government claimed that the death rate was lower than in Tanzania or Malawi.

Fears that the recent floods would bring a major upsurge in cholera proved unfounded. However, the receding waters left behind stagnant pools, ideal breeding grounds for malaria-carrying mosquitoes. Health units across southern Mozambique have reported a sharp increase in cases of malaria, the most common life-threatening disease in the country.

Industrial projects draw investment

One of the government's main goals is to attract foreign investment, particularly in large enterprises that could generate thousands of jobs. The largest project is the $1.3 bn MOZAL aluminium smelter on the outskirts of Maputo, which began production in June 2000. The main shareholders are the London-based metals company Billiton, Mitsubishi of Japan, and the South African Industrial Development Corporation. The construction phase created around 7,000 temporary jobs, but there will only be 800 full-time staff when the smelter is fully operational, probably by March 2001, when its annual output is expected to reach 250,000 tonnes. All of this will be for export, and at an anticipated value of $400 mn, the aluminum will earn Mozambique more than all exports combined in 1999.

MOZAL will need 400 megawatts of power, more than double current national electricity consumption. Initially, power for MOZAL will come through South Africa: the Mozambican, South African and Swazi electricity companies have formed a consortium to supply the smelter via a new powerline.

An even larger project on the drawing board is a factory to produce steel slabs in Maputo, using South African iron ore and Mozambican natural gas. This would entail a $1.6 bn investment and another $600 mn to build a gas pipeline. However, negotiations between the Mozambican government and the US corporation Enron stalled for more than a year over terms for exploiting the Pande gas field in Inhambane province. Agreement was finally reached in April 1999, giving Enron rights over a larger area than the government had initially wanted.

Another US company, Atlantic Richfield, with its partners SASOL of South Africa and Zarara Petroleum of Dubai, is developing a gas field south of Pande, at Temane. There are plans to use this gas in an iron ore plant in the Beira area. If this project goes

ahead, it will require building a new deep-water port at Savane, some 30 kilometres north of the existing port of Beira.

The giant Cahora Bassa dam on the Zambezi, which is majority Portuguese-owned, has an enormous power generation capacity of 2,075 megawatts, but the restoration of its power lines in December 1997, following the damage inflicted during the war, will not directly ease national power needs. The transmission lines bypass Maputo and run directly to South Africa, historically the main buyer of electricity from Cahora Bassa (although a pricing dispute impeded resumption of actual sales until 1999).

Feasibility studies are under way for a second power station at Cahora Bassa, and a new dam at M'panda-Ncua, 70 kilometres downstream from Cahora Bassa. New generating capacity will certainly be required for the mega-projects in the north and centre. Besides the Beira iron plant, these include a second aluminium smelter, also in the Beira area, and a titanium smelter in Nacala. Meanwhile, prospecting for oil continues.

Focus on transport

Despite the war, major upgrading of transport infrastructure took place in the late 1980s and early 1990s, including rehabilitation of Beira port and the rail lines from Beira and Maputo to Zimbabwe and most of the line from Nacala into Malawi.

Currently, Mozambique and South Africa are improving transport links to encourage traffic from South Africa's Gauteng and Mpumalanga provinces to use Maputo port, which is much closer to Johannesburg than any South African port. The key component of a major project called the Maputo Development Corridor, launched by Mozambique and South Africa in 1996, is a toll road from Maputo to the South African town of Witbank. Now under construction by a consortium headed by the French firm Bouygues, the road is ahead of schedule and should be ready later this year. Plans for the corridor also include dredging the Maputo port entrance channel to take larger vessels.

This coincides with a revolution in Mozambican port and railway management. Bit by bit, the port terminals and railway lines are being contracted to private management, although the physical assets themselves remain state property.

The last major railway not yet back in operation is the Sena line from Beira to Malawi and to the coal mines in the western province of Tete. The government wants to rebuild it on a build-operate-transfer (BOT) model, in which private companies build or repair the infrastructure, operate it for a specified

Most of Mozambique's railways have now been rehabilitated.

AIM Photo/Mondlane

A beneficiary of major debt relief

Mozambique's development plans in the immediate post-independence years involved running up substantial foreign debt. When war and drought levelled the economy in the mid-1980s, the debt became unpayable. The war also led to a high military debt to the Soviet Union.

By 1998, Mozambique's total foreign debt, even after repeated reschedulings and write-offs by various bilateral creditors, stood at $5.5 bn in nominal terms. Complex negotiations eventually resulted in the World Bank and IMF declaring in April 1998 that Mozambique was eligible for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. In June 1999, some $1.7 bn of Mozambique's debt was waived.

After the floods, several creditors — including the UK, US, Finland, Spain and Portugal — agreed to suspend all or part of the debt payments Mozambique owed them. Similarly, the World Bank and the IMF offered a "moratorium" such that Mozambique would not have to pay them any debt service in 2000, but the money would still be claimed later. Mozambican and foreign NGOs campaigning for total debt cancellation described this as "immoral," and argued that the floods were another reason for eliminating Mozambique's debt burden entirely.

Then the World Bank announced in April that Mozambique qualified for additional relief under the "enhanced" HIPC, approved by creditor countries in November 1999. Once fully implemented, cumulative debt cancellation will have reached $4.3 bn in nominal terms, or nearly $2 bn in net present value (the discounted value of debt if it were repaid in a lump sum). This will reduce Mozambique's debt stock to about $750 mn in net present value terms.

Full relief will not come, however, until Mozambique satisfies certain conditions. According to the World Bank and IMF, these will include implementation of agreed social development measures as part of the government's poverty reduction strategy, further reforms of the public sector and in the legal and regulatory framework, and maintenance of "satisfactory performance" under the IMF's Poverty Reduction and Growth Facility.

The government does not think it will have any difficulty meeting these conditions. Shortly after the World Bank announcement, the new Finance Minister Luisa Diogo told reporters that this year Mozambique will pay only $23-25 mn in debt servicing, compared with $104 mn in 1999. Although this decline is very welcome, she said, Mozambique's debt remains a "serious constraint on the fight against underdevelopment," and the government will continue to fight for total cancellation. "This is a poor country," she stressed, "and every cent that this country pays out abroad is taken from Mozambicans," two-thirds of whom live in absolute poverty.

period to recoup their capital and make a profit, and then hand it back to the state. By providing necessary transport, the Sena line will in turn help ensure promised Mauritian investments of $70 mn to rebuild the sabotaged sugar mills on the banks of the Zambezi River.

Dependence on donors

Despite the macro-economic improvements, Mozambique remains dependent on huge annual injections of foreign grants and soft loans. The government collects enough domestic revenue to cover its running costs, but the capital budget is almost entirely funded by foreign aid.

Every year the government attends the World Bank's Consultative Group for Mozambique, which brings together the country's major creditors. The most recent meeting, in June 2000, brought donor pledges of $530 mn for this year and $570 mn for 2001.

Besides the bilateral creditors, both the World Bank and International Monetary Fund (IMF) exercise significant policy leverage through their lending. If they are not satisfied with Mozambique's implementation of IMF/World Bank programmes, they can suspend lending, which in turn endangers funds from bilateral sources. Prime Minister Mocumbi, responding in a parliamentary debate to opposition complaints that the government is taking orders from foreigners, acknowledged, "We are a country that begs, and beggars have their sovereignty curtailed." Agreements reached with the Bank, Fund and other creditor institutions have included a wide variety of policy targets and conditions. Most recently, Mozambique's policy framework for 1999-2002, agreed to with the IMF and World Bank, stipulates that the government will continue to improve the environment for private sector development and further liberalize trade and investment.

"We are a country that begs, and beggars have their sovereignty curtailed."

— Prime Minister Pascoal Mocumbi

AIM / Ferhat Momade

From threats to praise

The conditions imposed by the funding agencies are not always based on an objective study of Mozambique's needs. The most notorious example was the liberalization of the trade in cashew nuts, which brought the cashew processing industry to the brink of collapse (see box, page 15). In 1995, at the low point in overall relations between Mozambique and the Bretton Woods institutions, an IMF delegation publicly attacked an increase in the minimum wage to slightly more than $20 per month at the time. This, however, prompted representatives of major creditor countries and agencies to write to the IMF opposing any further austerity for Mozambique and warning that IMF emphasis on monetary targets was unbalanced.

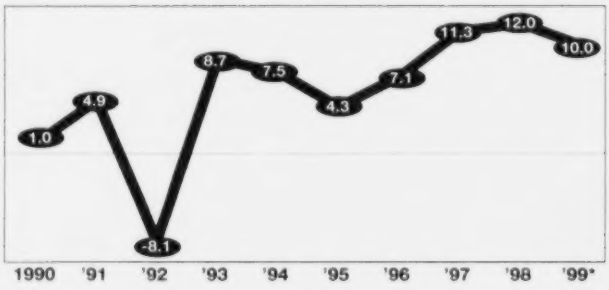
Finance Minister Salomão similarly criticized a narrow focus on the money supply and inflation rate. "Any adjustment programme that does not generate results on the side of production is a failed programme," he declared in October 1995. Without that, he added, "We might reach a situation where there is nothing to adjust any more."

The ensuing months showed that slightly higher wages did not in fact lead to raging inflation. The IMF has made no subsequent attempt to interfere in wage negotiations. A year later, then IMF Managing Director Michel Camdessus came to Maputo, declaring that Mozambique was "on the right track" and admitting that the country's foreign debt was "unsustainable."

Then in February 1997, it was the turn of World Bank President James Wolfensohn to try to ease earlier tensions, particularly over the cashew industry. He told Mozambican reporters: "I think the Bank should recognize that governments run countries. I was not elected president of Mozambique. I was elected president of the World Bank. We should work as partners."

More recent Bank and IMF delegations have taken care to consult not only the government but also private business, trade unions and non-governmental organizations (NGOs). Such meetings have sometimes been open to the press. When IMF Deputy Managing Director Shingemitsu Sugisaki visited in February 1999, Mozambican and foreign NGOs publicly warned him that although an urban middle class is growing and prospering, many

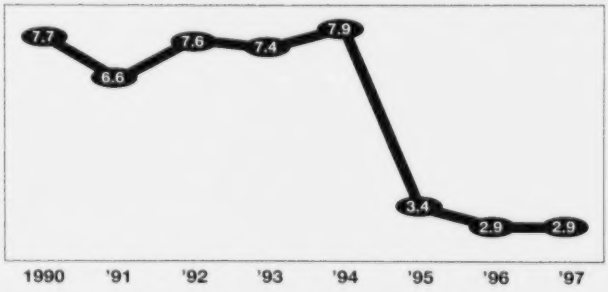
GDP growth in Mozambique
%, 1990-99



Source: UN Africa Recovery from World Bank, World Development Indicators 2000, CD-ROM version

** Economist Intelligence Unit estimate*

Mozambique military spending
as % of gross national product



Source: UN Africa Recovery from World Bank, World Development Indicators 2000, CD-ROM version

extremely poor people, particularly in the countryside, have yet to benefit from high economic growth rates.

Contradictory prospects

To pull Mozambique out of poverty, the government estimates that the economy must grow at annual rates of 10 per cent or more for many years to come, within a regime of price and currency stability.

The engine for this growth is to be the private sector. The prime minister and other government leaders describe the government's role as that of "regulator and facilitator," not producer. Throughout the 1990s, the government sold off hundreds of enterprises to private owners. Many of the enterprises were small, but a number of large operations, including the three cement plants, two breweries, the steel rolling mill, the cashew processing enterprise and various other industrial firms, also were privatized. What used to be one of the largest public sectors in Africa will have shrunk to the railways and ports (but under private management), the electricity company, water supply (also managed by private concerns in the major cities), the post office and little else (see *Africa Recovery*, April 2000, page 14).

Simultaneously, the government is putting the development of human resources at the core of its efforts. This will entail, for example, building an average of 1,500 extra classrooms a year, so that by 2006 all 6-year olds will be guaranteed a place in primary school. In both education and health, however, the government is resigned to a two-tier system: private (often religious) institutions are encouraged to build schools and clinics for those who can afford to pay fees, while the public sector concentrates on those who cannot.

In the cities, the growth of a prosperous elite is evident in the increasing numbers of luxury cars, and the mansions going up in the plusher suburbs of Maputo. The trade union movement has repeatedly warned the government of the dangers of social polarization. "Social imbalances are growing very sharply," declared OTM Chairman Joaquim Fanheiro at the 1998 Maputo May Day parade. "A minority is living in the greatest wealth and luxury, while the majority are sunk in the pit of poverty." This remains the major challenge facing Mozambique: how to ensure that the benefits brought by growth and stability can raise the living standards of the vast majority. ■

Poverty in Mozambique
(% below absolute poverty line)

Province	Population (% of national)	Poverty rate
Sofala	8.8	87.9
Inhambane	7.1	82.6
Tete	7.3	82.3
Niassa	4.9	70.6
Nampula	19.5	68.9
Zambézia	20.3	68.1
Maputo Province	5.1	65.6
Gaza	6.6	64.7
Manica	6.2	62.6
Cabo Delgado	4.9	57.4
Maputo City	6.1	47.8
National average		*69.4*

Source: Government of Mozambique, Understanding Poverty and Well-being in Mozambique: The First National Assessment, 1996/97.

AIM / Ferhat Momade

Ensuring small farmers' access to land

Mozambique is very thinly populated and has land in abundance. However, when it comes to the most desirable tracts of land — such as land alongside rivers or near main roads — there already is severe population pressure, especially in the Limpopo Valley or the green belts around Maputo and Beira.

All land was nationalized shortly after independence. The constitution states that all property in land vests in the state, and that land may not be sold, mortgaged or otherwise alienated. This is one of the few areas where the laws of the market do not hold, and where the government has no intention of privatizing. It is feared that if a market in land were introduced, social polarization in the countryside would rapidly worsen, with the establishment of large estates in the hands of a few rich landowners, alongside a growing class of landless farmers.

Land tenure does not take the form of ownership, but of use rights. In the case of small-scale farmers, that right is free of charge. A 1997 land law acknowledges the land tenure rights of local communities and of individuals who, in good faith, have occupied land for at least 10 years.

Companies and individuals wishing to acquire land for commercial purposes must first hold consultations with the local community, and obtain a written opinion from the district administrator. Only then can they obtain authorization to use the land. This mechanism is designed to ensure that rich people from the cities can no longer arrive in the countryside, wave a document farmers do not understand, and occupy their land. The government, however, does not yet have the capacity to effectively enforce such regulations.

'Can Africa claim the 21st century?'

Only by investing in its people, and if the donors change their ways, says a new report

By **Ernest Harsch**

Africa will be able to achieve sustained economic growth only if it invests heavily in its people, both to reduce poverty and enhance the continent's ability to compete globally, argues a major new report published by the World Bank and co-signed by four other institutions working extensively on Africa. In an unusually candid and self-critical assessment, the report, *Can Africa Claim the 21st Century?*, lays a share of the blame for Africa's limited progress so far on the interventions and policies of the donor institutions themselves, which have left Africans "cash poor and project rich."

Few of the arguments in the study are particularly new. Some have previously been raised by the World Bank itself, or by the other contributors to the report — the African Development Bank, UN Economic Commission for Africa, Global Coalition for Africa and African Economic Research Consortium.* What is notable is the extent to which some of the criticisms of structural adjustment in Africa now are being acknowledged by such institutions as the World Bank, which has played a central role in pushing the continent toward sweeping economic liberalization and reduced government activity over the past two decades. Without completely accepting those criticisms, the report recognizes the "limits of narrow [market-driven] approaches," and points to the need for a "strong and capable state."

Can Africa Claim the 21st Century? states that the Bretton Woods institutions — the World Bank and the International Monetary Fund (IMF) — have undergone a "watershed change" in their thinking on aid policies. It is an assertion that both World Bank President James Wolfensohn and IMF Managing Director Horst Köhler also have been making. Such declarations have met with some scepticism, as Mr. Köhler discovered during a visit to Senegal in July (see box, left).

The study maintains that a "fragile consensus" has emerged between Africa and its donors since the late 1990s. This entails greater African acceptance of the need for macroeconomic stability, market and private-sector promotion, and increased global competitiveness, with the donors in turn agreeing to focus more on social and state institutions, poverty reduction and enhancement of African skills and capacities.

Yet significant differences remain. Many Africans continue to chafe at the conditions the financial institutions impose on their governments in order to receive debt relief or development assistance (see box, page 21). Recent work on adjustment policies by more than two dozen African economists urges much more attention to promoting industrialization, so that Africa can begin to export a broader range of processed goods and move beyond its current dependence on primary commodities (see page 24).

'Sound policies' pay off, sometimes

Africa must continue on the path of economic and institutional reform, the report states, since without reform its economies will not grow rapidly and without growth poverty will

* *The report can be obtained from the World Bank, P.O. Box 960, Herndon, VA 20172-0960, USA. Tel: (1-800) 645-7247, Fax (1-703) 661-1501, <www.worldbank.org/publications>.*

Open letter to IMF managing director: 'Africa needs to forge a new dream'

Africans are striving for democracy, but their hopes may be dashed by increasing poverty and a "much greater marginalization of Africa in the process of economic globalization," warn Ms. Marie Angélique Savané and Mr. Hakim Ben Hammouda, representing the Council for the Development of Social Science Research in Africa (CODESRIA), one of the continent's foremost academic bodies. To avoid further misery and democracy's derailment, the International Monetary Fund (IMF) and other multilateral financial institutions must be more open to African aspirations, they declare in an open letter to IMF Managing Director Horst Köhler, released during his early July visit to Dakar, Senegal, where CODESRIA is headquartered.

Africans have "followed to the letter the prescriptions that the Messiahs of your institution have forcefully recommended," Ms. Savané and Mr. Hammouda say. "Economies have been liberalized, our states' involvement in economic regulation has been reduced, public enterprises have been privatized, the dynamics of growth have been reoriented toward the international market. Our governments have progressively ceded their economic sovereignty to donors, with your institution and the World Bank in the front ranks."

The open letter urged Mr. Köhler during his visit to Senegal to walk through the streets and visit schools, health clinics and villages. "Our failures should lead you to reevaluate the policies and development strategies your institution has recommended to our countries, in the sad vocabulary of structural adjustment." The authors warn that such widespread misery is leading many to question the value of democracy, and to engage in desperate and destructive violence.

"Africa needs to forge a new dream and new plans capable of restoring hope to our populations," they conclude. The IMF can help by cancelling the continent's foreign debt, supporting the work of African experts, and permitting African governments "the capacity to master their own destinies."

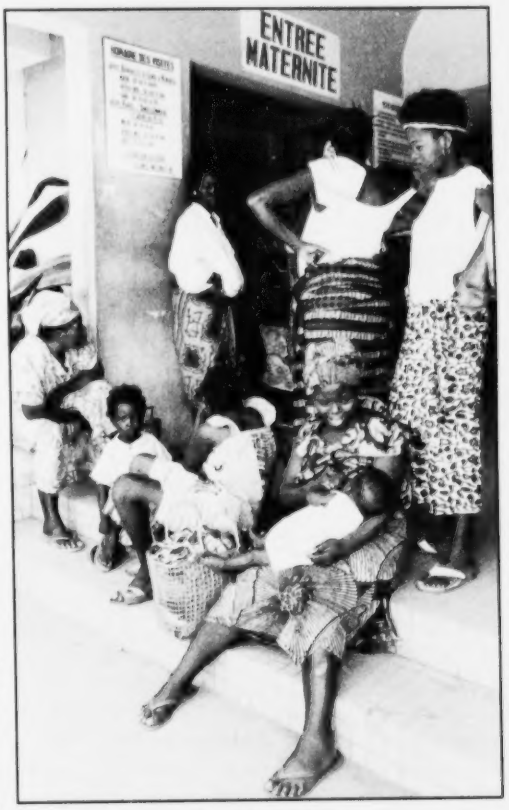
worsen. The reforms undertaken so far "contributed to the resurgence of growth in the second half of the 1990s," asserts the report, while the creation of wider space for private initiative is gradually transforming Africa into "a viable business address" for both external and domestic entrepreneurs.

However, the report's claim that policy reform directly spurs higher growth rates is more qualified and nuanced than in the World Bank's 1994 study *Adjustment in Africa*, which maintained that "adjustment is working." In less categorical terms, *Can Africa Claim the 21st Century?* says that "some recent studies indicate that adherence to sound policies pays off in the medium term."

Yet even where economic growth is high, there is no evidence that income inequalities have been reduced, the report acknowledges. And if pervasive inequalities are not addressed, "growth will not be sustainable and will not reduce poverty." In contrast to earlier adjustment approaches that emphasized rigourous austerity, the World Bank and its partners now argue that economic reforms should permit a rapid increase in Africans' consumption.

In particularly damning terms, the report also says that so far "short-term reforms have failed to address some difficult underlying institutional problems — and in some cases may have worsened them." Some countries, including Ghana, Kenya, Malawi, Tanzania and Zimbabwe, have built up high domestic debts, in part because financial markets were hastily liberalized before fiscal deficits were brought under control. Meanwhile, tight fiscal restraints, including on public sector salaries, have demoralized public employees.

In agriculture, the study notes, policy reforms have opened up domestic and external marketing arrangements, yielding some increases in producer prices to small-scale farmers. However, without improved infrastructure, services and rural institutions, price incentives have had a limited impact, especially at a time of declining world market prices for many of Africa's agricultural exports. Moreover, reductions in government subsidies have doubled or tripled farmers' costs, especially for inputs like fertilizers and pesticides.



Maternity clinic in Lome, Togo: Good health and education are vital if economic growth is to be sustainable.

Role for public sector

African countries should do what they can to mobilize private capital, the report repeatedly emphasizes. Yet it also insists that governments and their institutions remain essential players in the continent's security and development, reflecting the donors' shift away from the extreme anti-statist stance that some of them previously urged in Africa.

At the most basic level, African states must be able to maintain peace and security. The report notes that one-fifth of all Africans live in countries affected by conflicts, which makes significant improvements in development virtually impossible. Even in countries not at war, crime and violence can be a serious drain on the economy. In South Africa, their costs reach an estimated 6 per cent of gross domestic product (GDP).

Since the early 1990s, the study notes, 42 of 48 sub-Saharan countries have held multiparty elections. Yet more needs to be done to make government institutions more representative of their countries' ethnic diversity, decentralize power more effectively to people in local areas, strengthen the rule of law, combat corruption, and boost the morale of civil servants.

Beyond providing clear legal norms and regulatory systems to help private sectors develop, African states also need to play direct and active roles in areas essential to development. Infrastructure projects — railways, roads, electricity, telecommunications, and so on — can be enormously expensive and often are not immediately profitable. So in such cases, the report acknowledges, there may be a need for the public sector to take a lead. One obstacle to

Learning to say 'no'

In mid-July, the UN Development Programme organized a workshop of eminent Africans in Bamako, Mali, to discuss the issues raised in its most recent *Human Development Report*. Some of the participants used the occasion to air some of their concerns. "The question of privatizing the water sector in African countries is now on the donors' table," noted Mr. Pius Njawe, a prominent independent newspaper editor from Cameroon. "Should the water sector be privatized? The leaders should learn to say no."

Ms. Aminata Dramane Traoré, a former minister of culture and tourism in Mali, condemned the structural adjustment policies that the international financial institutions, "which are not accountable to Africans," have imposed on African governments, in place of national development plans. She noted that governments also have to meet certain conditions to receive debt relief under the Heavily Indebted Poor Countries (HIPC) initiative, including "demands to speed up the implementation of unpopular reforms." In this way, she said, "HIPC has robbed the victims of structural adjustment of the right to democracy and to take the initiative, while stifling the debate over cancellation of the debt.... The acceptance of HIPC by African governments is very worrying. They will have to cheaply sell off more enterprises and become even more docile."

agricultural growth, the study notes, has been the relatively low level of public investments. By providing essential public goods, such as rural roads, African governments can make it easier for private businesses to enter neglected markets.

Better health and education also are vital public goods that governments must guarantee if their economies are to become more productive and competitive. *Can Africa Claim the 21st Century?* devotes two chapters to "investing in people" and combating poverty, including through "distributional" measures. It asserts that while there may be some opportunities for enlisting private funding for education and health, these sectors require significantly greater public funding.

Bridge building in Gabon: African governments must invest in infrastructure, especially where private sector interest is lagging.

The report does not address the common criticism that early structural adjustment programmes contributed to cuts in government funding for social sectors, a point that the UN Children's Fund, among others, began raising sharply in the late 1980s. It does acknowledge that attempts to shift the costs to local communities have been harmful. "Though the poor are willing to pay for human development investments, their resources are limited," it says. "User fees have deterred primary school enrolment and health centre use."

Partly for similar reasons, the report cautions that decentralization "is no panacea." Hasty decentralization has sometimes resulted in underfinanced or corrupt local government administrations unresponsive to people's needs. While potentially worthwhile for bringing government closer to local communities, decentralization should not be used "as an excuse for central governments to reduce their responsibilities."

Exporting more primary commodities

As in most adjustment programmes, *Can Africa Claim the 21st Century?* argues strongly that African economies must open up more fully to international trade and that governments should implement policies designed explicitly to promote exports. It claims that in most African countries an "anti-export bias is still considerable," compared with other developing regions. It also states that if the continent had maintained the same share of world trade it

World Bank: To fight poverty, empower the poor

In something of a departure from its past approach, the World Bank now argues that effectively combatting poverty is not just a matter of fostering economic growth, but also of tackling the political and social inequities that keep poor people poor. "In a world where political power is unequally distributed and often mimics the distribution of economic power, the way state institutions operate may be particularly unfavourable to poor people," says the Bank's *World Development Report 2000/2001*, devoted to the theme of "Attacking Poverty." Because of these realities, "facilitating the empowerment of poor people — by making state and social institutions more responsive to them — is also key to reducing poverty."

The report cites extensive data demonstrating the tenacity of poverty around the world — and significant increases in the numbers of poor people in such regions as sub-Saharan Africa, Eastern Europe, and Central and South Asia. In sub-Saharan Africa, the number of people living on less than $1 per day rose by about a third between 1987 and 1998, from 217 million to 291 million.

Liberalization and economic growth alone are clearly not the answer, the report acknowledges. Some countries with strong economic growth have improved their income distribution and reduced poverty, as in Uganda, but others have seen growth along with rising poverty, as in rural Morocco. Governments, the report emphasizes, have a vital role to play in redistributing wealth and bringing about greater equity, through land reform, progressive taxation and heavy investment in education, among other measures. To ensure that governments do so, civil organizations must be stronger and better organized. The international financial institutions, including the World Bank, also must engage in more extensive policy dialogue with citizens' groups and non-governmental organizations (NGOs).

Markets remain central, the report adds, but it is important that they provide "expanding opportunities for poor people." At the same time, programmes to benefit poor people and guarantee their security must be designed "so that they do not undercut competitiveness."

US officials criticized earlier drafts of the report for not putting sufficient emphasis on market liberalization, while the London *Economist* magazine suggested that the arguments in the final version, if taken seriously, would distract governments and the Bank alike from "simpler pro-growth tasks." On the other side, Oxfam, an international development NGO that has long been critical of World Bank policies, declared the report "a flagship document that the World Bank can be proud of." Despite the persistence of neo-liberal arguments in some chapters, says Oxfam, "it carries the simple message that mass poverty in the midst of global prosperity is morally unacceptable, politically unsustainable and economically wasteful."

held in the late 1960s, Africa today would be earning an additional $70 bn a year.

Yet world market prices have not provided Africa with much incentive, the report acknowledges. Between 1970 and 1997, the cumulative losses in terms of trade (the purchasing power of export earnings) were equivalent to a staggering 120 per cent of GDP for non-oil exporting African countries. This was because most African countries depend overwhelmingly on the export of just one or two primary commodities, many of which have seen their world prices plummet.

The solution, the study argues, is for African countries to diversify their economies and the range of goods they export. It goes so far as to chastise Africa for its "failure to diversify exports," even though many African governments have for years pushed for just such export diversification, often in face of closed Northern markets and donor indifference or outright hostility.

A few African countries so far have succeeded in building up modest manufacturing sectors: Côte d'Ivoire, Ghana, Kenya and Zimbabwe. South Africa has a strong manufacturing base, created through the apartheid regime's interventionist industrialization policies. But for the bulk of Africa, diversification into manufactured exports will be extremely difficult, the report emphasizes, citing the very high transport, electricity and other infrastructure costs in Africa, compared with other regions.

Therefore, the World Bank and its partner institutions maintain, for most African countries the possibility of diversifying beyond primary commodities will be very limited and their best prospect lies in expanding the number of different primary commodities they export. "Thus the way forward for Africa in the medium term is mainly to raise primary exports, both processed and unprocessed." In global trade, Africa's "comparative advantage" will continue to rest in primary commodities, especially since "Africa is richer in natural resources — but poorer in human capital — than any other region."

Since most African economies currently depend on just one or two key exports, thereby leaving them extremely vulnerable to volatile world market fluctuations, increasing the range of primary commodity exports should help spread the risks. But otherwise, the report does not explain how an export strategy based mainly on primary commodities will bring any long-term improvements in Africa's basic earning capacity, nor does it explore the environmental consequences of such an approach.

The report does conclude with a strong plea for the industrialized countries to fully open up their own markets to goods from Africa and other developing regions. So far, however, African countries' demands for greater market access in the North have yielded few results. Making the trade picture even more gloomy, the study reports that for some African least developed countries, "implementing World Trade Organization obligations would cost as much as an entire year's development budget."

The report does not explain how an export strategy based mainly on primary commodities will bring any long-term improvements in Africa's basic earning capacity, nor does it explore the environmental consequences of such an approach.

Lessening aid dependence

Given the limited prospects for higher African export earnings or foreign investment flows, the study acknowledges that most countries will need significant aid if poverty is to be substantially reduced. Paradoxically, aid transfers have been falling in recent years. This trend will need to be reversed to help spur more rapid economic growth, while at the same time permitting consumption to increase sufficiently in order to lessen poverty. Debt relief, by saving budgetary resources, ultimately has a financial impact similar to that of aid inflows, and also should be stepped up, *Can Africa Claim the 21st Century?* says.

Absolute levels of aid and debt relief are not the only important elements, the report continues. So is better targeting. Donor policies have shifted in recent years to give greater priority to education, health and other aspects of human development, while the Heavily Indebted Poor Countries initiative seeks to ensure that resources saved through debt relief are channelled toward poverty-reduction programmes. But major gaps remain, for instance in funding agriculture.

The report is scathing in its criticisms of

Africa needs more aid, not 'hot money' — UNCTAD

After two decades of structural adjustment, Africa is still caught in a vicious circle. It needs higher savings and investment levels to generate growth, but it does not have the income to raise those levels, according to Mr. Carlos Fortin, deputy secretary-general of the UN Conference on Trade and Development (UNCTAD). So far, the international community has looked toward a combination of aid and private investment flows to Africa to fill the gap, "but this approach is not working," said Mr. Fortin in July, upon releasing a new UNCTAD report, *Capital Flows and Growth in Africa*. Since private capital tends to follow growth, not lead it, he said, official development assistance to Africa must be significantly increased if the continent is to achieve the kind of growth that eventually will attract foreign investment and make aid less necessary.

UNCTAD estimates that an increase in official flows to Africa to about $20 bn annually, about twice current levels, could boost domestic investment rates to about 22 per cent of gross domestic product. This in turn should help support sustained GDP growth rates of about 6 per cent a year.

While aid will be important, African countries also must overcome the policy errors of recent years, says UNCTAD. Essentially, it notes, "structural adjustment programmes have sought to leave accumulation and growth to market forces without adequate attention to shortcomings in markets, institutions and infrastructure." It proposes "a more active government role than permitted under adjustment programmes."

Governments should guard against unstable short-term capital flows, the report says. Like private capital flows in general, such "hot money" remains relatively minimal in Africa. Yet because financial markets in most African countries are "rather thin," UNCTAD observes, fluctuations in short-term flows still can have a disproportionate impact on currency markets. Africa has not yet experienced the kind of boom-bust cycles that have hit Latin America and East Asia over the past decade, but UNCTAD's analysis nevertheless shows "a significant increase in the instability of both net short-term inflows and outflows during the 1990s compared to the 1980s."

current donor practices. Much aid remains "tied," that is, it has to be spent on goods and services from the donor countries themselves. Poor coordination among donors sustains "a parallel, multidonor, multiproject economy, obscure to host governments and where donors are sometimes reluctant to share information." This often makes integrated budget management impossible.

African officials spend much of their time preparing documentation and reports for the different donor agencies. The tight deadlines involved often mean "consultation and ownership may suffer." Meanwhile, African officials frequently have no access to studies and data produced by the multilateral institutions. World Bank country lending assessments remain confidential, for example. "If partnerships and transparency are to be institutionalized in the aid relationship," the report recommends, "the Bank's assessments will need to become more open to public scrutiny."

Despite much donor talk about strengthening the capacity of African governments and institutions to develop and manage their own policies, current aid policies seem to point in a different direction. Some 100,000 foreign "technical experts" are employed in Africa, tending to displace local experts. The study concludes that "aid programmes have probably weakened capacity in Africa," in part by making "recipient governments less accountable to their people."

Changes in the approach of donors could do much to mitigate such outcomes. The report recommends in particular that donors put their funds, on an unrestricted basis, into common pools to complement African countries' own resources. This, it says, would help put an end to "intrusive conditionality," a great source of resentment and irritation for many African policymakers. So far, however, there is no evidence that the major donor countries are actually open to such an idea. Conditions, in fact, appear to be proliferating in both aid and debt relief programmes.

As African critics of donor policies often point out, such conditionality undermines any notion of genuine partnership between Africa and its external funders. For real partnership to become possible, the UN Economic Commission for Africa noted in a 1999 study of aid policies, it will be essential "to return spending authority, control and accountability to the country in question." ■

African economists insist on stronger industrial policy

In most of Africa, the era of structural adjustment has been one of "deindustrialization," and the continent must reverse this trend if it is to become a stronger actor in the global economy, argues a group of African economic researchers. The two dozen economists carried out some 30 separate studies, in the largest African research project on structural adjustment so far. Their individual studies have not yet been published, but many of their findings have been summarized in a book by Mr. Thandika Mkandawire, currently director of the UN Research Institute for Social Development, and Mr. Charles C. Soludo, a member of the Governing Council of the Nigerian Economic Society.*

World Bank - Vinod Haldar

Coffee-roasting plant in Madagascar: Rapid liberalization drove many African industries out of business.

The researchers generally follow a "mixed economy" approach that acknowledges the potential of markets, but in close conjunction with strong, active, "developmentalist" states that can mobilize resources and investment and ensure greater equity for ordinary Africans. They are highly critical of some of the economic and political strategies of African governments prior to the liberalization policies of the 1980s and 1990s, yet also regard the structural adjustment programmes promoted by the World Bank and International Monetary Fund as "deeply flawed."

Industrial policy in Africa — or rather, the lack of one — is an area that particularly concerns these economists. Equating earlier industrialization approaches with "statist" policies of intervention, the World Bank has exhibited a "deep-rooted anti-industrial-policy position," argue Mkandawire and Soludo. Economic liberalization and the removal of state protection in Africa came too fast to allow industry to adapt.

Unable to adapt to stiff global competition, at a time when investment levels in Africa also were declining, many of the continent's fledgling industries were forced to scale back or shut down. African exports of manufactured goods declined drastically. Even in countries such as Ghana that had major increases in industrial output during the late 1980s, eventually "the exposure to world competition led to a steady deceleration of industrial growth." Meanwhile, structural adjustment programmes have encouraged the export of raw mineral and agricultural products, basing Africa's trade even more solidly on primary commodities.

The authors agree with proponents of export-oriented policies that trade can help spur economic growth in Africa, but add that this will happen "especially when a country has increased the share of manufactures in its exports." For this to happen, African countries will need to adopt explicit industrialization policies, somewhat along the lines of the more successful East Asia states. While private initiative will be important in spurring greater industrialization in Africa, say the researchers, "these forces need to be managed with appropriate state-interventionist policies to resolve pervasive market failures." This should include some protection for "infant industries" in Africa, in a way that gradually allows them to mature and enhance their international competitiveness.

* *Thandika Mkandawire and Charles C. Soludo,* Our Continent, Our Future: African Perspectives on Structural Adjustment, *Trenton, NJ: Africa World Press, 1999, 176 pages, $21.95.*

Africa's struggling stock exchanges

Boost to economic development or "costly irrelevance"?

By **Jacqueline Irving**

Abidjan, Accra and Lagos

Nigerian Stock Exchange trading floor: most African stock markets are still quite marginal.

Further development of Africa's stock markets will top the agenda of the African Stock Exchanges Association conference to be held in Abuja, Nigeria, in late October. Already, the number of exchanges in Africa has grown considerably, with 13 new ones formed since 1989, bringing the total to 19. Meanwhile, moves are under way to better link them with each other. For instance, the host of the Abuja conference, the Nigerian Stock Exchange, is working with other West African stock markets on plans to eventually integrate the exchanges in the region, with the aim of making them more viable instruments for private-sector activity.

The proliferation of stock exchanges in Africa indicates that a number of countries now consider them one facet of a wider strategy for developing national, and even regional, economies. According to Mr. Alan Kyerematen, director of the Enterprise Africa programme of the UN Development Programme (UNDP), stock markets, along with other sources of financing, can promote private enterprise expansion and thus stronger national economic growth. "If you have stronger companies that have greater access to capital for their growing businesses ... then there is the potential for creating more sustainable jobs, which can also lead to a reduction in poverty," he told *Africa Recovery*.

Others, however, consider the links between stock exchanges and overall socio-economic development to be tenuous, nonexistent or even harmful. They advise African countries not to devote further scarce resources and efforts to promoting them at this point, since there are many weightier problems to address in Africa: high poverty levels, inadequate social services and undeveloped infrastructure. Even if the resources were available, some add, stock markets could expose already fragile developing economies to the destabilizing effects of short-term, speculative capital inflows.

Developing thin markets

Most African capital markets are still tiny and fledgling — especially in comparison with their counterparts in other regions. In sub-Saharan Africa, the Johannesburg Stock Exchange accounts for nearly 90 percent of the total value of the region's market capitalization (listed shares). Even the Nigerian exchange, ranked second among sub-Saharan exchanges in 1999, had a market capitalization of just $2.94 bn (equivalent to 6.9 per cent of gross domestic product). In the case of West Africa's other exchanges — the eight-country regional exchange in Côte d'Ivoire and the Ghana Stock Exchange — the amounts were just $1.5 bn (5.5 per cent) and $916 mn (12.1 per cent), respectively.

Except for the Johannesburg exchange, most African exchanges share other impediments to their growth and development: too few

Integrating West African stock markets?

Since its foundation in 1993, the African Stock Exchanges Association (ASEA) has promoted not only the development of stock exchanges, but also cooperation among them within four main regions: in East Africa among the exchanges in Kenya, Tanzania and Uganda; among the Johannesburg Stock Exchange and smaller Southern African Development Community exchanges; in North Africa, led by the Cairo and Alexandria exchanges; and in West Africa among the Nigerian and Ghanaian exchanges and the Bourse Régionale des Valeurs Mobilières, the francophone regional exchange.

In West Africa, the idea of working towards further integration of stock exchanges is part of a wider push within the region toward lowering barriers to the free movement of people, goods, services and capital. This has long been a goal of the 16-member Economic Community of West African States (ECOWAS), which celebrated its 25th anniversary this year.

In April, six ECOWAS members, led by Ghana and Nigeria, decided to "fast-track" plans to set up a second monetary union and common currency in the subregion by 2003, alongside the eight-member West African Economic and Monetary Union, which uses the CFA franc (pegged to the French franc). Some analysts and local officials believe that further integration of capital markets could help reinforce such plans. Others feel that the lack of a common currency, along with the need for further harmonization of regulatory, tax and policy frameworks, will hamper any rapid regionalization of West African stock markets. While there are differences over how long it actually will take to link West Africa's exchanges, many involved in the process agree that pooling the resources of these small and fragmented capital markets could boost their ability to mobilize local and international capital for private-sector and infrastructure development.

indigenous companies, small average company size, and low liquidity levels (the value of shares traded in relation to total market capitalization). The number of companies listing shares generally is low, and trading in one or just a few stocks often dominates total trading activity.

In studies of stock markets in developing countries, Mr. Ajit Singh, an economist at Cambridge University in the UK, found that while such exchanges may have positive benefits for the corporate sector by providing them access to additional capital, the economies as a whole "gained little." In Africa, indigenous companies, which tend to be small and medium-sized, so far have made relatively little use of stock exchanges, in part because they lack experience and resources for issuing shares, but also because their managers fear losing control after going public.

Mrs. Ndi Okereke-Onyiuke, managing-director of the Nigerian Stock Exchange, told *Africa Recovery* that many investors prefer to buy shares in small-to-medium-sized companies because they often have higher growth potential than larger firms. She urges smaller companies to overcome their tendency to associate share issues with loss of control and to recognize the role of stock markets in helping companies grow. UNDP's Mr. Kyerematen urges exchanges throughout Africa to lower barriers to the entry of indigenous, small and medium-sized firms.

In West Africa, all three exchanges have been trying to attract more such companies by setting up "over the counter" markets and secondary and tertiary markets with less strict listing requirements. They also have been giving increasing attention in the last year or so to educational and promotional programmes to attract more investors. For example, the Ghana Stock Exchange has been participating in local and regional business fairs, and offers courses and seminars on market investing and personal finance. In addition to advertisements in the local press, radio and television and the maintenance of a Web site, the Ghana exchange sponsors a radio programme. The broadcasts aim to generate public interest in the stock exchange by explaining investment topics to listeners and holding a weekly quiz which awards a 200,000 cedi prize to be invested in shares of the quiz winner's choice.

Because the vast majority of Africa's enterprises are not large, Mr. Kyerematen's Enterprise Africa programme is developing an additional way for these companies to raise funds outside the traditional exchanges. This "private placement initiative" will enable well-managed, solid, smaller companies in strategic sectors to issue shares or notes to investors with the help of financial intermediaries. Mr. Kyerematen stresses that this initiative should ultimately benefit African exchanges by providing smaller firms with capital until they become large enough to be listed.

Some, however, believe that an emphasis on promoting stock markets in Africa is premature. Mr. Singh, the Cambridge economist, has noted the sheer scarcity of economic development resources in Africa and recommends that countries therefore concentrate on improving their banking systems before further developing their stock exchanges. Setting up or expanding stock markets at this stage would be a "costly irrelevance" and only add to the woes of Africa's already fragile financial structures, which tend to have undeveloped and poorly regulated banking systems, he argued in a 1999 paper.

Investment in sub-Saharan Africa
$mn

Source: UN Africa Recovery from World Bank, Global Development Finance 2000. CD ROM

Uncertainties of foreign investment

Mrs. Okereke-Onyiuke notes that floating major enterprises on stock markets can help develop otherwise thin markets by attracting foreign capital. This in turn could encourage more indigenous companies to list. Given the large size of the enterprises slated for the second phase of Nigeria's privatization programme, such flotations could potentially deepen the country's capital markets enough to accommodate foreign investors, thereby supplementing domestic savings.

Foreign ownership of securities and assets remains controversial. In addition, some financial experts point out, as a country integrates its financial markets more tightly with world markets, it becomes more and more susceptible to global volatility. Large cross-border movements of capital invested in portfolio securities — rather than "brick and mortar" direct investment — tend to accompany and fuel financial instability.

Mr. Singh recommends that African countries focus on encouraging foreign direct investment rather than on developing exchanges that attract short-term investment flows. Because

Development finance bonds

African stock market advocates see some scope for the continent's exchanges to mobilize resources for development through the issuance of bonds to fund specific industrial and social projects. Officials of the BRVM, the regional exchange in Abidjan, believe that their bond market has great potential for raising such funds. The West African Development Bank (BOAD), which helps finance regional development projects, has four separate bond issues on the Abidjan market, making it the BRVM's single biggest bond issuer, says Mr. Niamkey Tanoe, head of operations for the exchange.

In Nigeria, the Securities and Exchange Commission (SEC) is stepping up efforts to promote the bond market to state and local governments as a means of raising funds for development projects. As with equity markets, lack of public awareness has hindered development of Nigeria's bond market. To try to counter this, the commission has held a series of public information sessions in recent months. SEC Director-General Mallam Suleiman Ndanusa recently urged state governments to follow the example of the Edo state government, which earlier this year issued a 500 mn naira ($5 mn) revenue bond to fund low-income housing construction.

stock exchanges in developing countries are generally less well regulated and more poorly organized than their counterparts in developed countries, they are more prone to high volatility, he says. Recalling the financial crises of many Asian and Latin American countries over the last decade, Mr. Singh argues that large amounts of portfolio investment in Africa would greatly increase vulnerability to domestic and international shocks.

This is not a problem in West Africa at the moment, however. Foreign portfolio investors over the past year have shied away from the subregion, which they perceive as politically and economically unstable. The main market indices of the Bourse Régionale des Valeurs Mobilières (BRVM) in Abidjan, Côte d'Ivoire, and the Ghana Stock Exchange fell 15.8 per cent and 32.9 per cent, respectively, in US dollar terms in the first half of 2000. Only the Nigerian Stock Exchange escaped negative investor perceptions. Its index rose nearly 16 per cent in US dollar terms in the first half of 2000, largely due to renewed confidence in the Nigerian economy following the return to civilian rule and signs of increased privatization activity.

Floating major enterprises on stock markets can help develop otherwise thin markets by attracting foreign capital. This in turn could encourage more indigenous companies to list.

— Ms. Ndi Okereke-Onyiuke, Managing Director, Nigerian Stock Exchange

"Some people out there are inclined to think that Sierra Leone, for instance, is next door to Ghana," laments Mr. Ernest Abankroh, company secretary of Ghana's Ashanti Goldfields mining company. "Even the Democratic Republic of Congo is seen [by foreign investors] as close to Ghana. An incident in any African country sends shock waves among investors."

While acknowledging that short-term foreign capital flows can be potentially destabilizing, Mr. Kyerematen says countries can guard against such risks by bolstering their financial market regulations, improving governance in general, and promoting the listing of solid, well-managed and competitive local companies. "Logically, if companies are performing well, one would not expect people to withdraw their funds and invest them in other markets," he argues.

The head of Mr. Kyerematen's agency, UNDP Administrator Mark Malloch Brown, recently cited the development of bond and equity markets in Africa as among the key steps to build domestic capital, develop private sectors and reverse capital flight. At the same time, Mr. Malloch Brown underlined the role of domestic capital formation and investment in helping economies improve their growth — generally recognized as an important (although insufficient) element in the reduction of widespread poverty.

Government Treasury bills in Ghana are very popular, paying interest rates far higher than stock-market shares. "So if I'm a rational investor, it's obvious what I should do."

— Mr. Yeboa Amoa, Managing Director, Ghana Stock Exchange

Vehicles for privatization

Many of those who extol the virtues of foreign investment also see great potential for African exchanges as vehicles for selling off state-owned firms. Privatization, they argue, can help build nascent private sectors and promote a culture of savings and investment.

So far, however, few privatizations actually have been carried out through stock exchange flotations in Africa. The exchanges in West Africa have functioned more as "political and economic lobbying platforms" to open up the subregion's economies, than as vehicles for actually raising capital, notes Mr. Mengistu Alemayehu, a senior investment officer with the World Bank's private-sector lending arm, the International Finance Corporation.

Although he sees the potential of the Nigerian exchange in particular as "enormous," Mr. Alemayehu observes that the role of West African exchanges in private sector development has been limited so far. Among the constraints, he cites unfavourable macroeconomic conditions in the countries served by the exchanges, the small size of the exchanges themselves and low liquidity (low trading levels relative to the total value of listed shares).

"Transferring ownership to the public through the stock exchange could be a very useful tool of, not only disempowering [former state managers], but also expanding the liquidity of these markets, developing the culture of investment, and expanding the horizon of investment opportunities that are available," says Mr. Alemayehu. For example, privatization of shares in large state utilities in Nigeria through the stock exchange would "provide not only a boost for the exchange in terms of size and market capitalization, but also in terms of getting thousands and thousands of [local] people to become shareholders."

According to Mrs. Okereke-Onyiuke, the Nigerian Stock Exchange (NSE) has promoted Nigeria's privatization programme. It was instrumental in convincing the former government of General Ibrahim Babangida to carry out the first sell-offs of state-owned firms back in the 1980s, she recalls. The exchange now is "working hand-in-hand" with the elected government of President Olusegun Obasanjo, which has launched a second phase of the privatization programme as a centerpiece of its plans to restructure the economy. The NSE recently held a workshop to advise more than 500 local government officials from throughout Nigeria on how to privatize state enterprises and issue revenue bonds tied to specific development projects.

Similarly, Mr. Niamkey Tanoe, head of operations at the BRVM — the world's first regional stock market — told *Africa Recovery* that the Abidjan-based exchange is encouraging all eight member countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo) to make use of it in their privatization programmes. Moreover, the BRVM has been working with Côte d'Ivoire's Privatization Committee to advise the other seven countries on some of the technical aspects of carrying out privatizations through public offerings.

Public flotation through stock markets is the

"easiest and most efficient way" of broadening local ownership in former state-owned enterprises, according to a 1999 working paper of the UN Economic Commission for Africa. By offering shares to local people, stock market flotations can help make otherwise unpopular privatization programmes somewhat more politically palatable. Such programmes nevertheless remain controversial. Unions point to the frequent loss of jobs and benefits once firms are privatized, while intellectuals and business groups often decry the increase in foreign ownership of national assets (see *Africa Recovery*, April 2000).

Large cross-border movements of capital invested in portfolio securities — rather than "brick and mortar" direct investment — tend to accompany and fuel financial instability.

Seeking to counter such negative perceptions, privatization advocates note that governments can invest the revenues earned from state enterprise sales in industrial research and development, health, education, and roads, communications and other infrastructure. At a privatization conference in July, Mrs. Okereke-Onyiuke cited as an example the government's use of some of its privatization proceeds to revive the Nigerian Railway Corporation. Because the government no longer subsidizes the privatized companies, she added, more public funds become available for socioeconomic development.

Sometimes, stock exchanges can be used for dispersing newly privatized shares geographically, preventing the concentration of shares in one or more regions. The Nigerian exchange, for example, uses regional quotas in order to allocate shares more equitably. Prospective investors are asked to indicate their state of origin on the exchange's application forms because "the government and the NSE want a wide geographical spread, to enable as many Nigerians as possible to benefit," explains Mrs. Okereke-Onyiuke. "We also encourage government-owned development finance institutions in those states that are a little backwards with regards to investment to buy shares for later sale to individuals of those states," she adds.

Stock exchanges and savings rates

Of course, extremely low income levels keep share ownership beyond the reach of most people in Africa. More than 40 per cent of the continent's inhabitants live on less than $1 a day. In West Africa, reckons Mr. Alemayehu, a maximum of 5-15 per cent of the population has access to conventional financial institutions and the number of people within that group who have access to shares traded on exchanges is extremely limited.

Savings rates in the region are by far the lowest worldwide, averaging around 13 per cent of GDP for the typical African country in the 1990s. Africa is the only world region in which both per capita savings and investment rates have fallen over the last 30 years.

According to economic theorists, stock markets can potentially raise savings and investment rates by introducing new instruments that might better meet savers' needs and by pooling the small savings of many individuals to fund investment in large-scale projects that otherwise might not be undertaken. In Africa, there is little sign of this happening so far.

In Ghana, for example, total savings were just 12 per cent of GDP in 1995, down from 17 per cent in 1960. Even those Ghanaians with income levels high enough to have access to conventional financial institutions and investing opportunities are more likely to invest their savings in government securities.

The government has been issuing Treasury bills in ever increasing quantities. Mr. Yeboa Amoa, managing director of the Ghana Stock Exchange and deputy chairman of the African Stock Exchanges Association, told *Africa Recovery*. The reason for their popularity is obvious: in a country where bank lending and deposit rates are quite high, the interest income on these bills was around 44 per cent at mid-year, compared with shares which generally paid dividends of only around 5-10 per cent. "So if I'm a rational investor," remarked Mr. Amoa, "it's obvious what I should do." ■

Enticing small investors

Financial institutions in some African countries have been trying to attract more small investors with limited means by offering ways for them to pool their funds and lower the risk of investments in shares traded on exchanges. Mr. Yinka Sanni, general manager of the asset management arm of International Banking and Trust Company, a top merchant bank in Nigeria, argues that unit trusts (mutual funds) hold "tremendous opportunity" for Nigerians. "As Nigeria makes further progress economically and there is more disposable income in people's hands, there would definitely be more savings," he told *Africa Recovery*. "Unit trusts would enable investors — no matter how small they may be — to pool funds together for investment purposes."

In Ghana, Parliament is currently considering an amendment to the securities law allowing the creation of unit trusts. Already, according to Mr. Yeboa Amoa, managing director of the Ghana Stock Exchange, members of the Ghana Cocoa, Coffee and Sheanut Farmers Association (GCCSFA) have grouped together to purchase stakes in two of the six companies that have publicly divested shares on the exchange. Back in 1994, some 160,000 small investors under the GCCSFA umbrella bought shares in Ashanti Goldfields, Ghana's largest gold mining concern. And in May 2000, the association's farmers collectively bought 20 per cent of the shares on offer in the Produce Buying Company, Ghana's largest domestic buyer of cocoa. Company employees themselves purchased another 5 per cent, while the general public bought 4 per cent.

The Nigerian exchange is encouraging companies to allot shares on a preferential basis to organized groups of small investors, such as market associations, cooperative societies and cooperative farmers. It also recommends that the Nigerian Labour Congress participate through the national pension fund. This echoed the suggestion by Mr. Ernest Abankroh, company secretary of Ashanti Goldfields, that Ghana's national pension fund invest some of the assets that it holds for workers in the stock market, rather than just fixed-income securities.

The BRVM in Abidjan urges companies to "offer their shares in smaller values," says Mr. Diouf Birahim, head of the Central Depository at the regional exchange. "In fact, a main goal of the BRVM is to mobilize domestic savings in the eight member countries by appealing to the small investor," he adds.

AFRICA AGENDA

FUTURE EVENTS

2-4 November (Dakar, Senegal) — Regional Preparatory Meeting for Africa, for the World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance. Contact Alioune Tine, fax (221) 824-6052, e-mail <raddho@telecomplus.sn>.

9-10 November, Addis Ababa (Ethiopia) — ECA ad hoc expert group meeting on investment agencies in Africa. Contact Peter Da Costa, tel (251-1) 51.58.26, e-mail <dacosta@tge.apc.org>.

16-19 November, Nashville, Tennessee (US) — Forty-third Annual Meeting of the African Studies Association of the US, on the theme "People and Power in 21st Century Africa." Tel (1-732) 932-8173, fax 932-3394, e-mail <callASA@rci.rutgers.edu>.

3-7 December, Addis Ababa (Ethiopia) — "AIDS: The Greatest Leadership Challenge" is the theme of the 2nd African Development Forum, organized by ECA, UNAIDS and the World Bank. Contact Peter Da Costa of the ECA, tel (251-1) 51.58.26, e-mail <dacosta@tge.apc.org>.

11-22 December, Bonn (Germany) — Fourth Session of the Conference of the Parties to the Convention to Combat Desertification and Drought. Contact convention secretariat, tel (49-228) 815-2800, fax 815-2898, e-mail <secretariat@unccd.de>; Web site <www.unccd.int>.

13-20 May 2001, Brussels (Belgium) — Third UN Conference on Least Developed Countries. Tel (41-22) 907-5816, fax 907-0057/0043.

June 2001, New York (US) — UN General Assembly Special Session on follow-up to the Second UN Conference on Human Settlements (Habitat II). Tel (254-2) 623.151 or 613.153, fax 224.060, e-mail <habitat.press@unchs.org>.

31 August-7 September 2001, South Africa — UN World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance. Contact conference secretariat, tel (41-22) 917-9290, fax 917-9022, e-mail <husbands@un.org>.

September 2001, New York (US) — UN General Assembly Special Session on Children, to review achievements and results of the 1990 World Summit on Children. Tel (1-212) 326-7261, fax 326-7000; Web site <www.unicef.org/specialsession>.

WHAT HAS TAKEN PLACE

10-13 October 2000, Bangkok (Thailand) — International Conference on Health Research for Development, organized by WHO, the World Bank, the Global Forum for Health Research and the Council for Health Research for Development. Contact conference secretariat, tel (41-22) 917-8554, fax 917-8015, e-mail <conference2000@cohred.ch>, Web site <www.conference2000.ch>.

8-17 October, Antananarivo (Madagascar) — Facing the New Millennium: Gender in Africa and the African Diaspora — Retrospection and Prospects. Contact Obioma Nnaemeka of Indiana University, tel (1-317) 278-2038, 274-7611 or 274-0062; fax 274-2347; e-mail <nnaemeka@iupui.edu>; Web site <www.iupui.edu/~aaws>.

21-23 September, Washington, DC (US) — Global Trade Issues in the New Millennium, a symposium hosted by the George Washington University Law School. Contact Mariya Talib, tel. (1-202) 676-3844, fax 676-3876, e-mail <mtalib@gwu.edu>; Web site <www.law.gwu.edu>.

4-7 September, Mbour (Senegal) — FAO Expert Consultation on Fish Technology in Africa. Tel (39-06) 5705-3259, fax 5705-3924.

23 August, New York (US) — Economic Development through Investment and Trade, workshop organized by the UN Institute for Training and Research with the School of Diplomacy and International Relations at Seton Hall University. Contact Maud Graham, tel (1-212) 963-9196.

1-3 August, Hyatt Fair Lakes (Virginia, US) — 9th Annual Africa Telecommunications and Information Technology Conference. Fax (1-703) 691-3572, e-mail <afcom@afcomnet.com>, Web site <www.afcomnet.com>.

9-14 July 2000, Durban (South Africa) — The XIII International AIDS Conference, organized by the Joint UN Programme on HIV/AIDS (UNAIDS), the Global Network of People Living with HIV/AIDS, the International AIDS Society and others. Tel (27-31) 301-0400, fax 301-0191, e-mail <aids2000@aids2000.com>, Web site <www.aids2000.com>.

AFRICA BOOKS

Private Capital Flows to Africa: Perception and Reality by Nils Bhinda, Jonathan Leape et al (Forum on Debt and Development [FONDAD], The Hague, The Netherlands; 1999; 178 pp; €18.15)

Global Finance at Risk: The Case for International Regulation by John Eatwell and Lance Taylor (New Press, New York; 2000; 258 pp; $22.95)

Perspectives on Africa's Development, selected speeches by K.Y. Amoako, Executive Secretary of the UN Economic Commission for Africa (UN, New York; 2000; 277 pp; $20)

African Development in a Comparative Perspective by UNCTAD (Africa World Press, Lawrenceville, New Jersey, US; 2000; 128 pp; hb $69.95, pb $19.95)

Global Public Goods: International Cooperation in the 21st Century, eds. Inge Kaul, Isabelle Grunberg and Marc A. Stern (Oxford University Press, Oxford, UK, for UNDP; 1999; 546 pp; $24.95)

Capitalism and the Information Age: The Political Economy of the Global Communication Revolution, eds. Robert W. McChesney, Ellen Meiksins Wood and John Bellamy Foster (New York University Press, New York; 1998; 256 pp; $43)

High Technology and Low Income Communities: Prospects for the Positive Use of Advanced Information Technology, eds. Donald A. Schön, Bish Sanyal and William J. Mitchell (MIT Press, Cambridge, Massachusetts, US; 1998; 412 pp; $25)

Peacekeeping in Africa: Capabilities and Culpabilities by Eric G. Berman and Katie E. Sams (UN Institute of Disarmament Research, Geneva, Switzerland; 2000; 540 pp; $24).

A detailed and insightful chronicle of the efforts of African states to shoulder the burdens of peace and security in the continent, this book also examines the efficacy of Western programmes aimed at supporting their ability to do so. Current policies and programmes are inadequate, the study finds. While African states often have contributed troops to UN peacekeeping operations in Africa and elsewhere, they frequently lack the capacity to deploy and sustain sizeable forces on their own, without significant outside assistance. Existing programmes to build up the peacekeeping capacity of African countries do not go far enough, Mr. Berman and Ms. Sams state, while donor aid and equipment for African peacekeepers often is inadequate and arrives late. In carrying out their study, the authors draw on expertise from throughout the UN system, as well as from dozens of member states. They look at various peacekeeping ventures initiated by the Organization of African Unity, Economic Community of West African States and Southern African Development Community, along with several ad hoc African initiatives, and systematically review the programmes of a dozen donor countries.

Civil Wars and Foreign Powers: Outside Intervention in Intrastate Conflict by Patrick M. Regan (University of Michigan Press, Ann Arbor, Michigan, US; 2000; 224 pp; $39.50)

Angola Unravels: The Rise and Fall of the Lusaka Peace Process by Human Rights Watch (Human Rights Watch, New York, US; 1999; 205 pp; $15)

The Sanctions Decade: Assessing UN Strategies in the 1990s by David Cortright and George A. Lopez (Lynne Rienner Publishers, Boulder, Colorado, US, and London, UK; for the International Peace Academy; 2000; 274 pp; hb $48, pb $17.95)

Healing Communities in Conflict: International Assistance in Complex Emergencies by Kimberley A. Maynard (Columbia University Press, New York, US; 1999; 280 pp; $29.50)

Politicians and Poachers: The Political Economy of Wildlife Policy in Africa by Clark C. Gibson (Cambridge University Press, Cambridge, UK; 1999; 245 pp; hb $59.95, pb $24.95)

African Women's Health, ed. Meredith Turshen (Africa World Press, Lawrenceville, New Jersey, US; 2000; 264 pp; hb $79.95, pb $21.95)

North Africa in Transition: State, Society, and Economic Transformation in the 1990s, ed. Yahia H. Zoubir (University Press of Florida, Gainesville, Florida, US; 1999; 288 pp; $59.95)

The History of Nigeria by Toyin Falola (Greenwood Press, Westport, Connecticut, US; 1999; 296 pp; $35)

AFRICA IN BRIEF

High world oil prices hit Africa's poorer economies

In 1998, Ghana was selling a tonne of cocoa for $1,600 and buying a barrel of oil for $10. By 2000, a tonne of cocoa was earning Ghana just $800, half the price two years earlier, while the cost of importing a barrel of oil in September had more than tripled, to $35. Although the sharp rise in world oil prices has been a boon to Africa's oil exporting countries, Ghana's predicament has been a familiar one for most of the continent's poorer oil importers.

Based on preliminary data and an oil price of $26.53 per barrel, the International Monetary Fund (IMF) estimates that increased oil costs will reduce the current account balance of more than a dozen African countries by around 0.5 per cent of gross domestic product (GDP) this year. Another six — Burundi, Gambia, Ghana, Mali, Mauritania and Swaziland — will suffer a decline of more than 1 per cent, estimates the IMF's semi-annual *Global Economic Outlook*, released in early September. At the same time as oil import costs have risen, notes the report, many non-oil-producing countries in Africa "have faced substantial terms-of-trade losses as export prices of nonfuel commodities and other primary goods remain generally depressed, particularly in real terms." Nevertheless, the IMF projects that the African continent's overall GDP still will grow by around 3.4 per cent in 2000 and 4.4 per cent the following year.

The impact of higher oil prices on the growth of developed economies has so far been negligible, notes the UN Conference on Trade and Development (UNCTAD) in its latest *Trade and Development Report*, also released in September. If Northern growth were significantly reduced, this would have had the effect of further depressing world market prices for developing countries' nonfuel commodity exports, as happened during the "oil shocks" of the 1970s. UNCTAD recognizes, however, that since a majority of African countries are oil importers, their economic performance may be seriously affected. This is despite the fact that overall African demand for oil, 2.4 mn barrels a day in 1999, is only a fraction of North American usage (22.8 mn barrels) and is small compared even to Latin American demand (4.6 mn barrels).

Those African countries that export significant quantities of oil — including Nigeria, Angola, Algeria, Cameroon and several others — are expected to benefit from the higher oil prices. Both the IMF and UNCTAD reports caution, however, that they should make careful use of the extra income. Domestic critics in these countries have frequently questioned how oil revenues currently are used, seeking greater transparency and expanded allocations for health, education, capacity building and other development purposes. ■

Journalists in Sierra Leone honoured

For risking their lives to uphold press freedom and human rights amidst Sierra Leone's brutal civil war, three leading journalists were accorded the *World Press Review*'s International Editor of the Year Award at UN headquarters on 28 September. Left to right: **Mr. David Tam-Baryoh,** editor of *Punch*; **Mr. Paul Kamara,** editor of *For di People;* and **Mr. Philip Neville,** editor of *Standard Times*. The award, stated Mr. Tam-Baryoh, should be seen as a symbolic acknowledgment of the courage and dedication of all Sierra Leonean journalists — especially the 15 who had been killed — for their efforts to expose both rebel atrocities and government corruption.

Governance forum urges stronger African democracies

Democracy advocates and practitioners from across Africa recommended the curbing of executive power and greater equity among the different branches of government at a conference in Kampala, Uganda, in September. Representatives from 17 countries came for the fourth Africa Governance Forum organized by the UN Development Programme and the UN Economic Commission for Africa since 1997. Ugandan Deputy Speaker of Parliament Edward Kiwanuka Sekandi said poor governance had dashed Africans' high hopes after independence.

Participants identified greater parliamentary control of the budget as essential to limiting executive domination and improving governance overall. They urged some form of proportional representation in elections, to give a direct voice in parliament to more sectors of the population, help build a culture of tolerance and permit the drafting of consensus legislation on national issues. The delegates also proposed measures to effectively free the media from control by a dominant ruling party or executive authority, so that minority parties and alternative opinions are not silenced. In addition, members of parliament must win the trust of their constituents by developing greater accountability. ■

After long negotiations, a government for Somalia?

Coming out of nearly a decade of statelessness and perpetual civil war among a multitude of rival militias and warlords, Somalia now has at least a semblance of a central government. In August, UN Secretary-General Kofi Annan recognized this progress in a message to Mr. Abdikassim Salad Hassan on the occasion of his inauguration as president of Somalia. Mr. Annan also paid tribute to the role played by Djibouti President Omar Guelleh in facilitating the consultative process that led to the formation of the government, while noting the formidable difficulties that lie ahead.

The following month, President Hassan took up Somalia's old seat at the UN when he addressed the Millennium Summit of the General Assembly in New York. He expressed gratification at bringing Somalia back into the international community and described the peace process that brought together in Djibouti more than 2,500 individuals from many segments of Somali civil society, including traditional elders, businessmen and intellectuals. They "found a reservoir of wisdom and the willingness to forgive," he said. After four months of painstaking negotiations, the participants in the Djibouti consultations selected 650 official delegates, who chose the drafters of a national charter and ultimately selected 245 members of a new Transitional National Assembly. The assembly, in turn, elected Mr. Hassan as president of the republic.

Major obstacles still lie ahead, note African observers. Most of the warlords, as well as polit-

ical leaders in two northern regions of Somalia, did not take part in the Djibouti consultations and may not recognize the new government. In October, militiamen in Mogadishu attacked legislators returning to the Somali capital. ■

EU fund for private enterprise in ACP states

The European Union and the Africa, Caribbean and Pacific (ACP) nations announced in mid-September the inauguration of a €2.2 bn ($2.04 bn) investment fund to strengthen private sector activities in ACP countries and attract greater foreign direct investment (FDI). The investment facility will operate as a revolving loan fund, providing both concessional and commercial-rate loans and loan guarantees. Unlike similar bilateral programmes, the facility will not require ACP businesses to have a European partner; nor will the fund restrict its lending only to the private sector. Public sector projects intended to strengthen private enterprise, such as telecommunications and other infrastructure, also will be eligible. EU officials say they hope to leverage as many as €8 in new FDI for every euro provided through the scheme.

The investment facility was established under the Cotonou accord, a trade and development cooperation agreement between the EU and the ACP member states, signed earlier this year to replace the Lomé IV pact, which had expired (see *Africa Recovery*, July 2000). The facility is part of an EU development assistance package expected to be worth €13.5 bn over the first five years of the Cotonou pact. The fund is still a year or two away from making its first loans, however, because it must first be ratified by all the parliaments of the EU and ACP member states. The European Investment Bank will administer the programme. ■

Modest rise in foreign investments in Africa

The flow of foreign direct investment (FDI) into Africa rose by 28 per cent in 1999, reaching $10 bn, the UN Conference on Trade and Development (UNCTAD) estimates in its *World Investment Report*, released in October. On a global scale, however, this "remained quite modest," representing 5 per cent of total FDI into all developing countries and lagging far behind the $106 bn reported for developing countries in Asia.

Further limiting the impact of this investment was its narrow concentration, with some 70 per cent going to five countries: Angola ($1.8 bn), Egypt ($1.5 bn), Nigeria ($1.4 bn), South Africa ($1.38 bn) and Morocco ($847 mn). Deregulation and privatization drew some funds into telecommunications, but transnational corporations were still primarily focused on oil and minerals. Critics have noted that such investment in the extraction of natural resources, while profitable for the investing corporations, does little to create significant numbers of jobs or promote broader national economic development. ■

Details hamper US-Africa trade pact

The US announced on 2 October that 34 African countries qualified for trade benefits under the Africa Growth and Opportunity Act, which is intended to provide broader market access for African countries that adopt trade liberalization policies, respect human and labour rights and oppose terrorism and corruption (see *Africa Recovery*, July 2000). However, the list of eligible products is not expected to be finalized before December because of opposition by domestic and non-African foreign producers to many of the 1,800 new products proposed for duty-free access.

A second obstacle cropped up in late September, when the US demanded that African governments adopt strict customs procedures to safeguard against the fraudulent labeling of Asian textiles as African manufactured. A South African government trade official told *Africa Recovery* that African governments were given just a week to accept the complex and highly technical agreement, which could require changes in national legislation and additional training for customs officers. Although South Africa has yet to accept the customs rules, it was among the 34 countries found eligible for participation. ■

Summit charts course for an 'African Union'

African leaders decided in mid-July to begin establishing a new "African Union." Proponents see the move as a logical extension of the existing Organization of African Unity (OAU) and a way for the continent to better confront the challenges of globalization.

Gathered at the 36th OAU summit meeting in Lomé, Togo, African leaders debated and adopted a founding document, called the Constitutive Act, laying down objectives, principles, institutions and an operational framework. Reviewing the conditions facing Africa at the start of a new millennium, they stressed the urgency of accelerating economic integration and political solidarity.

The leaders of 27 OAU member states signed the act before leaving Togo. Subsequently, South African President Thabo Mbeki and Nigerian President Olusegun Obasanjo signalled support by holding a joint signing ceremony in September at UN headquarters in New York, in the presence of OAU Secretary-General Salim Ahmed Salim. Formal accession to the treaty requires ratification by OAU member states. The Union itself would come into formal existence 30 days after ratification by two-thirds of the OAU members. Mr. Salim told reporters in Lomé that after the Union has been in force for a year, "the OAU will be absorbed into it."

While few Africans oppose the concept of greater unity, some observers have questioned the timing or realism of the current proposal. Proponents talk optimistically of achieving the necessary ratification by more than 36 countries before the end of 2000. Libyan President Muammar al-Qaddafi, who has played a prominent role in promoting the project, believes the Union will be put in place at an extraordinary summit already scheduled for Sirte, Libya, in March 2001. In Lomé, he suggested that the rapid creation of a "United States of Africa" could end conflicts and speed Africa's long-awaited renaissance.

But by the beginning of October only a handful of countries had reportedly completed the ratification process. Angola, Namibia and Zimbabwe stayed away from the summit itself, because of a UN Security Council inquiry indicating that Togo had provided assistance to the Angolan rebel movement UNITA, in defiance of Security Council sanctions. Their absence made serious discussion of security and peacekeeping issues difficult.

So far, the Lomé decision has stirred little public debate. Seasoned community observers are sceptical about any easy or rapid creation of such institutions as an African Central Bank, a Pan-African Parliament or a Court of Justice, all proposed in the Constitutive Act. Representatives at a week-long meeting of the Africa branch of the Commonwealth Parliamentary Association referred discussions on the proposed Pan-African Parliament to individual countries for study.

AFRICA WATCH

APPOINTMENTS

Secretary-General Kofi Annan has appointed Nigeria's former head of state ***General Abdulsalami Abubakar*** *(right) as his Special Envoy dealing with the Democratic Republic of the Congo.*

Mr. Mussagy Jeichande *(Mozambique) is the Secretary-General's new Representative and Head of the UN Office in Angola. He led his country's delegation to the conference establishing the International Criminal Court, and, in addition to serving in his country's Ministry of Foreign Affairs, was a professor of international public law at the Institute of Applied Science and Technology in Maputo.*

Mr. Annan also has appointed ***Mrs. Anna Kajumulo Tibaijuka*** *(Tanzania) as the new Executive Director of the UN Centre for Human Settlements (Habitat), headquartered in Nairobi. At the time of her appointment, Mrs. Tibaijuka was the Special Coordinator for Least Developed Countries, Landlocked and Small Developing Countries at the UN Conference on Trade and Development (UNCTAD). Prior to that she was an associate professor of economics at the University of Dar-es-Salaam.*

Mr. Legwaila Joseph Legwaila, *Permanent Representative of Botswana to the UN, has been appointed by the UN Secretary-General as his Special Representative to lead the UN Mission in Ethiopia and Eritrea (UNMEE). In addition to numerous ambassadorial appointments since 1980, Mr. Legwaila was the UN Secretary-General's Special Representative on South Africa to the Organization of African Unity between 1992 and 1994. He has been Vice-President of the UN General Assembly three times (1981, 1987 and 1991) and in 1996 served as President of the UN Security Council.*

TRADE

Europeans okay duty-free access for least developed countries

A proposal to grant duty- and tariff-free access to Northern markets for all exports by the world's 48 least developed countries (LDCs) has moved closer to reality. On 20 September the European Commission endorsed a plan to allow "everything but arms" from LDCs into the EU without duties or tariffs. The announcement goes beyond the previous European position, raised at the abortive World Trade Organization meeting in Seattle in December 1999, of support for duty-free access for "essentially all" LDC exports. That formulation, developing countries argued, would allow the EU to exclude textiles, leather goods and agricultural products, which are of greatest interest to African, Caribbean and Pacific producers.

According to European Trade Commissioner Pascal Lamy, the new proposal would cover all but 25 products that are weapons-related. Tariffs on bananas, rice and sugar would be phased out over three years. The measure would remove tariffs on over 1,000 products, affecting 1 per cent of LDC exports to the EU, which totaled some €8.7 bn in 1998. "There has been plenty of talk about how market access for poor countries is critical," Mr. Lamy noted. "It's time to put access to our markets where our mouth is. I hope the [European] Council and Parliament can adopt this proposal swiftly and that other developed countries quickly follow suit." EU development ministers have scheduled the proposal for consideration on 10 November, with final action by EU member states possible before the end of the year. ■

LOCKERBIE

OAU calls for end to sanctions on Libya

With Libya in compliance with all the UN Security Council's demands regarding the 1988 bombing of a Pan Am airliner over Lockerbie, Scotland, the Organization of African Unity (OAU) is pressing the UN Security Council to lift international sanctions against the country. In a letter to the Council in mid-September, the representatives of a five-member OAU committee (Cameroon, Ghana, Tunisia, Uganda and Zimbabwe) noted that it was 18 months since two Libyan suspects first appeared before a Scottish court in the Netherlands. It also was 5 months since the trial actually began. Despite the Security Council's own provision for lifting sanctions once the suspects had appeared in court and despite a report by Secretary-General Kofi Annan indicating that Libya had complied with all its commitments, the sanctions remain in place, the signers regret. The OAU, they say, "calls on the Security Council to lift the sanctions immediately and irrevocably." ■

COCONUT WATER

FAO secures patent for tropical product

The UN's Food and Agriculture Organization (FAO) has joined the list of contenders for food-related patents that can affect African and other developing countries. The UN agency has been granted a patent in the United Kingdom for long-life coconut water. It has announced that it will share the information with all interested producers rather than seek to make a profit.

A favourite in coastal tropical regions, fresh coconut water is tasty and full of the salts, sugars and vitamins that might make it popular with athletes. Once exposed to air it deteriorates rapidly. Current processing techniques cook out the flavour along with bacteria. FAO's process — a form of cold sterilization — may make coconut water a new star in the world's $1 bn sports drink market and bring a new source of income to poor producers in developing regions. ■

HORN OF AFRICA

More UN peacekeepers

Just a week after the Security Council held a rare summit meeting on Africa (see cover story), it approved a major new mission, authorizing on 15 September the deployment of up to 4,200 troops to monitor the border between Eritrea and Ethiopia. The action follows an 18 June cease-fire agreement that ended a two-year border war. The agreement, which calls for a demilitarized zone 25 kilometres wide and final demarcation of the disputed border, was reached under the auspices of Algerian President Abdelaziz Bouteflika, then president of the Organization of African Unity. The effort was assisted by the UN Secretary-General's Special Envoy to Africa Mohamad Sahnoun, among others.

The Security Council first established the UN Mission in Ethiopia and Eritrea (UNMEE) on 31 July, at the time authorizing up to 100 military observers. Humanitarian agencies put the number of civilians affected by the conflict at over 700,000. Their plight has been exacerbated by a regional drought that has left 8 million people at risk of hunger. ■